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Expansion of Domestic and Foreign Prosperity

*Excerpts from the President's Economic Report to the Congress*¹

ROLE OF GOVERNMENT IN ECONOMIC PROGRESS

A great opportunity lies before the American people. The United States is in a position immediately to undertake a sustained improvement in national living standards. During World War II the needs of the military services and the contributions that this Nation made to the military efforts of its allies naturally took precedence over all other claims on the economy. The years that followed the war were devoted, in the main, to meeting demands that had been postponed during the conflict and the preceding years of depression. The war in Korea once more assigned first priority to military needs. Today, and we believe tomorrow, this emphasis is no longer as pressing. Our approach to a position of military preparedness now makes it possible to turn the productive potentialities of the economy increasingly to peaceful purposes. This is a welcome opportunity. To help our people seize it, the Federal Government must continue to meet successfully the challenging problems of economic transition from war and inflation to peace and monetary stability.

The Importance of Progress

A high and sustained rate of economic growth is necessary to the welfare, if not to the survival, of America and the free world. The United States is now engaged, and must be for some time to come, in an effort to build security forces adequate to deter and to strike back at aggression. These security-building efforts, and the parallel efforts to raise the defense potentials and the living standards of friendly peoples in other countries, are as much dependent on our industrial

¹H. Doc. 289, 83d Cong., 2d sess. The full text, entitled *Economic Report of the President Transmitted to the Congress January 28, 1954*, also may be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., at 65 cents a copy (paper cover).

production as is the conduct of war itself. Success in them will depend in large part on the amount by which our national output is increased.

... it must be noted that economic progress in our country is tied closely to the progress of the rest of the world. The world is no less interdependent economically than politically. Just as Americans have no chance to enjoy security from aggression while aggression is being committed against other free nations, so also they cannot make maximum progress if other nations suffer economic stagnation or decline. A program for promoting economic progress in America must therefore provide for an extension and strengthening of economic ties with the rest of the world. An accelerated flow of goods and of capital across national boundaries would contribute to economic progress everywhere.

PERFORMANCE OF THE AMERICAN ECONOMY

International Economic Transactions

The outstanding international development of the past year was the achievement of a broadly balanced pattern of trade and payments, at high and growing levels of economic activity. This has been accomplished in an environment of general monetary stability and diminishing controls, both within and among the nations of the free world. Some countries, however, still depend in part on United States military expenditures abroad, as well as on a variety of restrictions on dollar transactions.

There was little change between 1952 and 1953 in the export balance of the United States, when military grant-in-aid shipments are included with exports and military expenditures abroad are

counted with imports. The past year witnessed, however, an important shift in the balance on current transactions between the United States and foreign countries, the broad features of which are displayed in Chart 24.² Excluding transfers of military-aid goods, which require no dollar financing by the recipient countries, the United States had an estimated deficit of 700 million dollars on current account in 1953. This contrasts with a surplus of 1.7 billion in 1952, 10.7 billion in 1947, and about 5.5 billion in 1948 and 1949.

Thus, the free world has continued to make progress toward economic and financial strength. In the postwar period, taken as a whole, foreign economies have been able to adjust to a sharp reduction of United States economic aid (including loans), and still maintain a high level of imports from the United States. Their gold and dollar holdings have increased by about 8 billion dollars in the last five years and are now 50 percent higher than in 1937. Official monetary reserves outside the sterling area are probably better distributed today than ever before, from the standpoint of their relation to the volume of imports and the different needs of foreign countries for liquid balances to meet fluctuations in export earnings.

Numerous factors have contributed to the great improvement in the dollar position of foreign economies. The outstanding fact is the great increase in their productive power, which has enabled them to increase exports to the United States while meeting their own enlarged domestic requirements. Some part, of course, of the current dollar earnings of foreign countries arises from our Government's expenditures abroad for military goods and services. These amounted to an estimated 2.5 billion dollars in 1953, which is equal to about 15 percent of our total payments for foreign goods and services and about equal to the increase in foreign holdings of gold and dollar balances during the year.

Changes since 1947 in the current account balances of major trading areas with the United States are shown in Chart 25.² The most notable improvement was recorded in the transactions of Western Europe, which closed with an estimated surplus of 1.5 billion dollars in 1953, in contrast to a deficit of over 5 billion in 1947. The industrial production of Western Europe is now running about 40 percent above 1938, and the volume of exports has risen by some 60 percent, while imports—including raw materials processed for export—are only slightly above their prewar level.

The recovery of the sterling area from the post-Korean deficits began in mid-1952 and continued in 1953 with the accumulation of a surplus of about half a billion dollars in its current transactions with the United States. The growth of economic activity throughout the free world sustained the volume of exports of the independent

sterling area countries and facilitated the adaptation of their economies to the collapse of the raw materials price boom in 1951. The same was generally true of raw material exporting countries.

The current account deficit of the Western Hemisphere in 1953 is traceable entirely to Canada whose deficit was offset by United States private investments and by net exports to other countries. The countries of Latin America, taken as a whole, were close to a balance in their 1953 current account; but it should be noted that this resulted partly from the tighter import controls imposed by some of them. Difficult readjustments are still in prospect in Far Eastern countries whose normal trade patterns were distorted by the Korean war and other political disturbances.

GOVERNMENTAL POLICY IN A YEAR OF ECONOMIC CHANGE

International Economic Policy

The aim of the Federal Government during the past year was to maintain stability in the field of commercial policy, pending a broad survey of all aspects of our international economic relations. At the President's request the Congress extended for one year the Reciprocal Trade Agreements program without major amendment, and set up a Commission on Foreign Economic Policy to recommend appropriate means for the improvement of international trade—"consistent with a sound domestic economy, our foreign economic policy, and the trade aspects of our national security and total foreign policy." In line with the President's recommendation, the Congress also enacted the Customs Simplification Act designed to simplify, and to remove the inequities of, customs regulations. The United States participated in international efforts to stabilize the markets for wheat and sugar. Extensive military and economic assistance to foreign countries was continued, but with the improvement in the economic strength of Western Europe, the economic aid program was curtailed. Emphasis was also continued on fostering improvements in the industrial productivity of friendly countries, in the interest of stimulating their economic development and raising the living standards of their people.

ECONOMIC RELATIONS WITH OTHER COUNTRIES

The broad economic advance of the nations of the free world during 1953, to which we have re-

² Not printed here.

ferred previously, is heartening evidence of the effective use made of the aid given by the United States to postwar reconstruction and development. Increasingly, foreign countries are resuming domestic policies aimed at maintaining budgetary balance and stable prices. United States aid was intended to help, and has helped, these countries bridge the difficulties and reduce the burdens of postwar economic readjustment. It could not, of course, serve as a substitute for financial measures needed to achieve internal balance.

Progress Toward a Free World Economy

The vitality of free institutions has enabled them to survive the strain of two world wars and a world depression of great magnitude. In spite of the growth of economic controls arising from these events, the trading system of the free world is still mainly one in which transactions are conducted by private enterprises rather than by governments. The interference of the State with competitive market forces has receded from its wartime peak. Economic reconstruction and the recovery of production have in most countries been accompanied by a relaxation or removal of price controls, rationing, state buying, and trade and exchange restrictions. In spite of new strains and temporary setbacks associated with the Korean war, notable progress has been made since 1950 in returning to freer economic processes. But much remains to be done before an enduring balance of international transactions in goods and currencies is re-established.

There is a general recognition, here and abroad, of the need for a freer system of trade and payments. It is a responsibility of governments to create and maintain the circumstances in which private traders can conduct their transactions with the fewest impediments from exchange controls or trade restrictions. Sustained prosperity in an interdependent world is a task of all free nations, working together.

The progress already made toward liberalization of international trade and payments should be continued by vigorous efforts to reduce the remaining barriers that stand in the way. Among these impediments are the uncertainties arising from the sensitivity of other economic areas to fluctuations of the United States economy. The program of action outlined in this Report to strengthen the forces of economic growth and resistance to deflation, combined with the determination of the Federal Government to employ all of its powers to prevent severe slumps in the future, should be as reassuring to the peoples of other countries as it is to the people of the United States. In common with other countries, the United States is determined to continue its efforts to attain the common objective—a steadily expanding world economy.

Domestic Economic Stability

A policy to promote economic growth and stability cannot be limited to our domestic affairs, but must, of necessity, extend to our relations with other nations. One of the basic lessons of history is the interdependence between prosperity at home and prosperity abroad; between depression at home and depression abroad. This close link might conceivably be broken by the adoption of nationalistic measures, tending to isolate individual nations and areas from outside fluctuations. The objections to such policies are, however, overwhelming. The sacrifices in economic efficiency and living standards which they involve have long been emphasized and need not be restated. The rigid controls necessary to keep such an economy in balance would be intolerable. Equally important, economic isolation is no guarantee of internal stability. The severity of the depression of the thirties was aggravated by the nationalistic character of the programs devised to combat it, as "beggar-my-neighbor" policies spread currency depreciation, tariff increases, import restrictions, and exchange controls from country to country. Flexible trade and capital movements, supplemented by cooperative policies between governments and central banks, are far more likely to help stabilize national economies, to cushion the impact of domestic disturbances, and to prevent their spreading to the world at large.

The system toward which we must work is one which will provide increasing opportunities for mutually advantageous trade among the free nations, and which can operate without the repeated extension of grants-of-aid from any nation. There is no single measure by the United States or any other nation which can bring such a system into being. Its achievement will call for a variety of measures on the part of all nations. The principal contribution that the United States can make to the achievement of an efficient system of international trade and payments is to maintain a vigorous, healthy, and expanding economy.

Reduction of International Barriers

This, however, is not enough. World trade has been conducted in years past under the constant threat of the erection of new trade barriers by all of the major importing countries. In the case of the United States, as our foreign trade policy has been debated from year to year, other nations have come to entertain doubts concerning its continuity. Although we have in fact carried out vigorous tariff-reducing programs in recent years, we have undertaken these measures in an atmosphere of constant uncertainty. Our trade policy and customs administration should provide a sense of continuity, stability, and forward movement to the rest of the world.

These policies of the United States should facilitate, and be accompanied by, similar measures by

other nations to reduce governmental interference with the free movement of goods and capital. In such a program high priority should be given to the elimination of bilateral and discriminatory trade and exchange techniques which strike at the very core of international competition and currency convertibility. This should lay the basis for further and continuing advances toward the general reduction of trade restrictions, as agreed to and already begun under existing international agreements. At the same time, barriers to the

movement of private capital should be removed, so that it may play a fuller role in developing new sources of materials, creating new productive facilities, and contributing to an increase in standards of living throughout the free world.

The Administration is now intensively engaged in assessing the findings and recommendations of the newly completed report of the Commission on Foreign Economic Policy. On the basis of this study a comprehensive program will be presented to the Congress for action.

Foreign Ministers Continue Berlin Talks

Following are texts of further statements made by Secretary Dulles during the Foreign Ministers' Conference which opened at Berlin on January 25, together with the text of a resolution proposed by the Soviet Foreign Minister on February 4.¹

STATEMENT OF JANUARY 28

Press release 47 dated February 3

Mr. President, when we adjourned yesterday evening, I had a sense of complete recall—recall to those days in 1945 when I gained a great admiration for your skill as a diplomat. In a book I wrote 4 years ago, I paid tribute to Mr. Molotov's diplomatic skill. I am glad to see that he has not lost his touch.

Yesterday Mr. Molotov produced out of his hat rabbits for all of us: Peace in Korea, peace in Indochina, an end to the armaments race, the abolition of atomic weapons, the end of tension everywhere throughout the world by the pacific settlement of all the disputes which rage throughout the world, and a tremendous increase in economic prosperity.

These achievements were all to be made possible if only we were to invite Mr. Chou En-lai to come here and sit down with us. That fact, Mr. Molotov implied, would automatically satisfy the aspirations for peace and welfare which men have had throughout all the ages. Who is this Chou En-lai whose addition to our circle would make possible all that has for so long seemed impossible? He is a leader of a regime which gained de facto power on the China mainland through bloody war, which has liquidated millions of Chinese as the only means of maintaining its powers; which

so diverts the economic resources of its impoverished people to military efforts that they starve by the millions; which became an open aggressor in Korea and was so adjudged by the United Nations; which promotes aggression in Indochina by training and equipping the aggressors and supplying them with vast amounts of war munitions.

Such is the man whose presence Mr. Molotov urges would enable them to gain lasting peace and mounting prosperity.

In my opening remarks I said that the United States recognizes the fact of evil, but that we do not take it to our breast and call it good. That is precisely what Mr. Molotov proposes we should do with this source of so much human misery.

There is within each of our countries an intense longing for the peace and prosperity which Mr. Molotov so artfully portrayed. But there also remains, I believe, some capacity to assert our reason and some willingness to supply moral principles. Our reason tells us that Mr. Molotov's portrayal is the portrayal of an illusion. Our moral sense forbids the relationship which he proposes.

Mr. Molotov's proposal, when viewed in the cold light of the morning after, consists in effect of holding out to all the world the hopes which were entertained when the United Nations was formed and saying in effect that those hopes can now be realized through establishing a council of five, including Communist China. Mr. Molotov would transfer to this council all of the essential tasks of the United Nations.

He chided us for assuming that his proposal merely involved the council in dealing with questions of political character. He explained that his proposal went far beyond that. Not only would he have the council deal with all of the political problems of the world, but also with problems of a military nature, of an economic na-

¹ For texts of earlier statements, see BULLETIN of Feb. 8, p. 179.

ture—such as the reduction of armaments, including the problem of atomic weapons and also the problem of removing trade barriers so that the 800 million people subject to Mr. Molotov's type of Communist rule will no longer be impoverished because they can draw on the vastly higher standards of living which prevail in the non-Communist world.

I took occasion this morning to look over the Charter of the United Nations. I saw that article 11 gives the General Assembly responsibility to make proposals with reference to "disarmament and the regulation of armaments." I saw that article 13 gives the General Assembly the responsibility to make proposals with reference to "promoting international cooperation in the economic field." I saw that article 14 gives the General Assembly the right to propose a "peaceful adjustment of any situation, regardless of origin, which it deems likely to impair the general welfare or friendly relations among nations."

I saw that article 26 gives the Security Council the primary responsibility to develop plans "for the establishment of a system for the regulation of armaments," and that articles 33 to 51 give the Security Council primary responsibility to deal with the pacific settlement of disputes and to take action with respect to threats to the peace, breaches of the peace, and acts of aggression. I saw that articles 61 and 62 established an economic and social council to make recommendations with respect to international economic matters.

Effect of U. S. S. R. Proposal

I saw that article 99 gave the Secretary General the authority to "bring to the attention of the Security Council any matter which . . . may threaten the maintenance of international peace and security." When I thus compared the United Nations Charter with Mr. Molotov's speech, I saw that in effect he proposed that the Council of the so-called "five great powers" should in effect supersede the United Nations.

Mr. Molotov attempted to meet my earlier statement that his proposal had this effect by pointing out that the Potsdam agreement created a Council of Foreign Ministers even after the United Nations Charter had been adopted. But this analogy is not applicable. The Council of Foreign Ministers established under the Potsdam agreement was established pursuant to the provisions of article 107 of the Charter which expressly authorized the Allied powers to conclude the peace settlement. That was the limited purpose of the Potsdam Council. Mr. Molotov's present proposal for a council does not fall within the exception provided for by article 107 of the Charter.

It is obvious that the "five-power conference" proposed by Mr. Molotov could not be a conference of temporary duration. It would be incredible that the four of us, even with the addition of

the fabulous Mr. Chou En-lai, would be able quickly to solve the political, economic, and military problems with which the United Nations has wrestled unsuccessfully for the past 9 years. The task proposed for the conference by Mr. Molotov would inevitably turn that conference into a permanent body with a vast network of subcommittees and experts. This would in effect replace the United Nations.

Mr. Molotov scarcely disguises the fact that this is what he has in mind. He has said that, because the United Nations does not accept the credentials of the Communist regime of China, therefore the United Nations should be bypassed and its responsibilities must be taken over by a new world organization which would be an assumption by the five so-called "great powers" of the responsibility and authority to rule the world with reference to political, armament, and economic matters. In other words, because the United Nations has refused to admit into its councils a proclaimed aggressor, Mr. Molotov contends the United Nations must be penalized by having its responsibilities transferred to the aggressor.

Mr. Molotov has entertained us by an exhibition of his ability to make the preposterous seem plausible. However, we did not come here for entertainment. We came here in the hopes of doing some serious business.

My feeling is that we have had an adequate "first round" exchange of views on this subject—the first item on our agenda—and that without forgetting what has been said we now move on to an exchange of views regarding the two other agenda items relating to Germany and Austria.

STATEMENT OF FEBRUARY 2

Press release 50 dated February 3

Yesterday, Mr. Molotov delivered himself of a major polemic. Apparently, he felt that we had left far behind us the first agenda item. That item dealt with the relaxing of international tensions. But, since we were on the second agenda item, Mr. Molotov felt moved to intensify international tensions, so he made bitter accusations against France, the United Kingdom, and the United States. He charged us with conspiring to start a new world war with the help of revived German militarism.

If it is desirable to relax international tensions, and I think it is, I wonder whether it is not desirable for us to seek this all the time, and not merely as item 1 of an agenda.

I have said that I was prepared to assume, at least for the purpose of this meeting, that the Soviet Union honestly wants peace.

I do not know what the Soviet Foreign Minister really thinks about us. Whatever his judgment is, he must know that he is not infallible. He has

sometimes been wrong, and he might have been wrong when he accused us yesterday of being the enemies of peace.

I recall that Mr. Molotov was wrong in October 1939 when he condemned France and Britain as being aggressors and praised Hitlerite Germany as being the peace-seeking country. I have in my hands a speech which the Soviet Minister of Foreign Affairs made in Moscow on October 31, 1939.² Already the war was on and, in Molotov's words: "It needed only one swift blow to Poland first by the German Army and then by the Red Army, and nothing remained of this ugly offspring of the Versailles Treaty." In that speech, Mr. Molotov boasted of the "rapprochement and the establishment of friendly relations between the U.S.S.R. and Germany." He then said that "as far as the European great powers are concerned, Germany is in the position of a state which is striving for the earliest termination of the war and for peace, whereas Great Britain and France, which but yesterday were declaiming against aggression, are in favor of continuing the war and are opposed to the conclusion of peace." "It is," said Mr. Molotov, "not only senseless but criminal to wage such a war—a war for the 'destruction of Hitlerism' camouflaged as a fight for 'democracy'."

Perhaps Mr. Molotov would admit that he then made a mistake—we all make mistakes. That fact should lead us not to be so confident of our judgment that we hurl across the table accusations of criminal intent.

It is quite natural that we should disagree with each other and reason with each other in an effort to get agreement. But I suggest that we should not here recklessly attack each other's motives.

I should like to reason with Mr. Molotov about his plan for solving the German problem with major dependence upon the so-called German Democratic Government of East Germany.³

The Soviet Foreign Minister has made yester-

² For a summary of the speech transmitted to Washington by Laurence A. Steinhardt, U. S. Ambassador at Moscow, see *Foreign Relations of the United States. The Soviet Union, 1933-39*, p. 786.

³ Foreign Minister Molotov on Feb. 1 introduced an amended version of a plan originally offered by the U.S.S.R. on Mar. 10, 1952 (for text, see *BULLETIN* of Apr. 7, 1952, p. 532). Following are the amendments he proposed:

To section entitled "Political Provisions," add:

"No obligations of a political or military character arising out of the treaties or agreements concluded by the Governments of the Federal Republic or the German Democratic Republic prior to the signing of the peace treaty and the reunification of Germany shall be imposed on Germany."

To section entitled "Economic Provisions," add:

"Germany shall be fully exempt from payment to the United States of America, the United Kingdom, France, and the USSR of post-war state debts with the exception of those arising out of trade obligations."

To section entitled "Military Provisions," add:

"These armed forces shall be limited to those required to meet the needs of internal security, local border defense, and anti-aircraft defense."

day one statement with which we completely agree. He says: "The German problem is first and foremost a problem to be solved by the German people themselves," and that Germany should participate "at all stages of the peace treaty's preparations."

Need for Single German Government

Precisely for that reason we believe that the first task is to establish a single German government which can speak authentically for the German people as a whole. It will not help us to have a tumult of conflicting opinions.

It is the thesis of the Soviet Union, if I understand rightly, that in the making of the peace treaty we are to consult with the German people through what the Soviet Foreign Minister calls "the representatives of Eastern and Western Germany."

We know that in West Germany there is a government which draws its authority from the German people as a result of free and vigorously contested elections. The people of the West German Republic had an opportunity to hear all the issues debated from opposing viewpoints and to vote for candidates of their own choosing. The Government of the West German Republic is, without question, entitled to speak for that large majority of the German people who reside in the West German Republic, and we do not doubt that it reflects the overwhelming judgment of the East Germans as well.

But how about the so-called "government" of the German Democratic Republic which rules in East Germany? According to the Soviet Foreign Minister, it was "called to power by the overwhelming majority of the population of Eastern Germany."

It is true that 98 percent of the eligible voters appeared at the polling places. They came because they had been told that, if they did not come, they would be treated as "enemies of the peace" and subjected to grave penalties as such. The entire population of many villages was forcibly rounded up and marched to the polls.

It is true that 99.7 percent of the voters were recorded as having "elected" the government of the German People's Republic. The story behind this is that, after the voters arrived at the polls, they were handed a ballot. It was a ballot which had been secretly printed. And it was not made public until election day. I have a copy of that ballot here. It is simply a list of names. No place is provided on the ballot to indicate approval or disapproval. There was no way to vote "no." There was not even a way to mark the ballot with a "yes"—a privilege which, as I recall, even Hitler conceded to his subjects. The voters were merely ordered to put the ballot in the ballot box.

It might be noted in passing that the name which heads the list on the ballot which I hold here in my

hand is the name of Mr. Ulbricht, a one-time Soviet citizen.

I wonder whether Mr. Molotov really believes that this type of so-called "election" gives the so-called "government" a mandate to speak for the people of East Germany.

I myself doubt that that performance provides the means of finding out what the East Germans really want. That doubt springs not only from the character of the so-called "elections" themselves, which I have described, but also from what has happened since.

East German Attitude Toward Rulers

Since the October events that I describe, nearly a million East Germans have fled the East zone to the West zone and West sector of Berlin. Does that prove the popularity of the rulers and their capacity to speak for the ruled?

Last year hungry Germans under the rule of their so-called "government" sought and obtained five million food parcels from the West. Does that prove that the people are satisfied with their rulers?

In the Eastern area there is an armed force of 250,000 to keep order. That is one guard for 80 persons. In West Germany there is one policeman for 330 persons. Does this shocking discrepancy prove that the East Germans freely accept the order that their rulers impose?

If the facts I mention do not suffice to prove to Mr. Molotov my point, I can mention more. But I hope it will not seem necessary to do so.

As I understand the proposals of the Soviet Union, they treat it as of the essence that four of us should accept the so-called German Democratic Republic as one of the principal organs whereby the German problem is to be solved. We cannot accept that position.

We know that the German people would regard as contaminated any decisions which were fastened upon them through the interposition of the "German People's Republic."

Mr. Molotov has said: "Only they themselves, only the Germans, can really solve the German problem. Any other solution of the German question would be unreasonable and unfair to the German people."

Because we believe that premise, we are compelled to reject the Soviet proposal and return to that which the three Western powers support.

We urge that Mr. Molotov agree to create quickly by free, all-German elections a German government which can genuinely speak for all of Germany and thus provide the indispensable basis for a peace that will last, because it will be a peace of consent.

In his speech yesterday, the Soviet Foreign Minister sought to divert us from the serious discussion of this urgent topic by injecting a series

of charges against the United States, Great Britain, and France, which he claimed "are trying to form a military bloc directed against the Soviet Union."

I will not take time at this conference to reject these charges in detail. There is nothing new in them. The same familiar charges have been made year after year in the United Nations. They have been refuted time after time, year after year.

For example, Mr. Molotov says that \$100 million was appropriated by the U. S. Congress for "subversive" activities within the Soviet satellite countries. That charge, often made, was completely rejected when raised by Mr. Vyshinsky in the United Nations. I refute it again as being totally untrue. That legislation has been utilized solely for the purpose of assistance to refugees fleeing from the Soviet bloc, such as the one million who, as I mentioned, fled from East Germany to the West. It is elementary kindness to assist these refugees to make a new start in life.

Perhaps there would have been fewer of them if, in 1948, the Soviet Union had allowed its satellites to share the thousands of millions of dollars which the United States made available to relieve conditions of economic distress abroad. Perhaps then, too, a Soviet mistake was made.

U. S. Contributions to Military Victories

I would recall to the Soviet Foreign Minister that the United States is one of the nations which paid a very heavy price for two German aggressions. We came into World War I, and we came into World War II, when it seemed that German militarism might gain decisive victories in Europe and dominate the Eurasian continent.

It would not be profitable for us here to engage in unseemly competition as to the importance of our relative contributions to the ultimate defeat of Nazi Germany. That defeat required blood and steel, and the United States contributed both. There was a time when the Soviet Union paid tribute to that contribution.

In light of that history, the United States feels that it has earned the right to shrug off, as foolish chatter, the accusation that it now seeks to recreate the very force that has twice so cruelly hurt it.

The United States is dedicating its material, intellectual, and spiritual resources to building a world of peace.

We took a leading part in creating the United Nations. We take seriously our obligation under that charter to refrain from the threat or use of force against the territorial integrity or political independence of any state. That obligation will apply to Germany when she becomes a member of the United Nations.

We take seriously the undertaking of that organization to insure that states which are not members of the United Nations act in accordance

with that principle. That undertaking applies to Germany until she becomes a member.

Mr. Molotov has claimed that the North Atlantic Treaty is aimed at the Soviet Union. That treaty, made pursuant to the United Nations Charter, contemplates the use of force only if there is an armed attack against one of the parties. I hope that Mr. Molotov does not imply that the Soviet Union intends to bring that tragedy to pass. If it does not, then it need not fear the treaty.

The Soviet Union, which dominates a military bloc of 800 million people, seems to be fearful if any other nations combine for their defense. The reasons for such combination are simple, and the combination conceals nothing sinister.

If any one of the Western European nations were alone to be strong enough to defend itself against possible attack from the Soviet bloc, it would from an internal standpoint endanger its economy and from an external standpoint, endanger its neighbors.

The Soviet Union proposes that Germany should be allowed to have defensive strength on a national basis. But if Germany had national forces strong enough to defend itself from external attack, it would be so strong that it would threaten all of Western Europe.

Need for Strength Through Community Efforts

The only way in which nations can obtain necessary defensive strength without themselves becoming an aggressive menace is by community efforts. Under those circumstances no single nation is strong enough to attack alone; but the combined strength deters aggression. This system, it is true, sometimes involves one member of the community helping to maintain deterrent forces on the territory of another member of the community. Mr. Molotov had particularly complained of this aspect of the security arrangements participated in by the United States, the United Kingdom, and France in cooperation with their associates. The fact is that such arrangements are a mighty safeguard against aggression. They mean that only the combined will of many nations can set the defensive system into action.

The greatest danger to world peace lies in the fact that in some cases a vast military establishment can be made to attack by the decision of a single nation, sometimes indeed by the decision of a single man. That is a situation which is understandably terrifying.

But where a military establishment cannot act without the combined will of many countries, then only a clear defensive need can bring about the necessary concurrence of national wills.

Furthermore, in this way, it is possible to get adequate defense without forcing the people, and particularly the workers, to suffer by requiring them to toil unproductively. It is understandable that the Soviet Union should want to force on the

free nations a system which will drag down their higher standard of living. But, we shall have none of that, Mr. Molotov. We shall have both security and human welfare.

When I spoke here a week ago today, I pointed out the United States course of conduct following World War II.⁴ We promptly withdrew our vast armies and air and naval forces from Europe. We largely dismantled our military forces to a mere fraction of about one-tenth of their World War II strength. We reversed that course only when Communist aggression in Korea aroused us to the fact of danger. Then, in concert with the many others who shared our fear, we undertook to recreate a reasonable defensive posture. Now that that position is in sight, we are leveling off our national expenditure for military purposes and the NATO countries are doing the same.

This conduct cannot be reconciled with any aggressive purpose.

The Soviet Minister must know that fact. If he does not admit it, it can only be because he believes that to misrepresent the truth will serve some ulterior purpose.

Mr. Molotov has rightly said that we live in a modern age, and should take into account the lessons or models of modern history. That is precisely what we are trying to do. We are seeking to apply in the international field these principles which every civilized community applies as among its members to get peace and security at bearable cost. That is the effort in which the United States wholeheartedly joins with others who are likeminded.

No single act that the United States has taken or will take carries any threat to the Soviet Union so long as the Soviet Union itself abides by the principles of the United Nations to which it has solemnly subscribed.

Let this conference now get back to the problem of Germany and of how to welcome and nurture the desire of the new Germany to find for her energies an outlet which, better than unbridled nationalism, will serve the needs of Germany, of Europe and, indeed, of all the world.

STATEMENT OF FEBRUARY 3

Press release 53 dated February 4

I think that we can take satisfaction in the fact that Mr. Molotov's remarks have gone to the heart of the problem which we are discussing here today. I would have preferred that this discussion would have been preceded by a more clear statement of the Soviet proposals, which I had thought Mr. Molotov had promised us. But, even without that, I would be glad to give a few impromptu reactions to the remarks which Mr. Molotov has made.

⁴ BULLETIN of Feb. 8, p. 179.

We face the fact that Germany has been divided now for nearly 9 years. Part of Germany has been identified with the Soviet system, the Eastern part of Germany, and the Western part of Germany has been identified with the Western system. All the Germans, East or West, now have a very good idea as to what is the meaning and significance of our respective systems.

We believe that the time has come when that division cannot be continued without very great peril to all of us, and that the next step is to unite Germany through free elections, and give united Germany a genuine choice as to what it wants to do.

One of those choices may be the choice of becoming a member of the contemplated European Defense Community. We do not disguise the fact that we hope that that choice will be available to Germany. We do not disguise the fact that some of us, at least, hope Germany will make that choice. But I do want to emphasize, in categorical terms, the fact that we do intend that united Germany should have a real choice in the matter. If I have not expressed myself earlier, it was only because it seemed to me that the remarks which had already been made by Mr. Bidault and Mr. Eden were so clear and so obviously based upon the terms of the proposals which Mr. Eden had made there could not be any real doubt about the matter.

If the Soviet Foreign Minister feels that the language in the proposal tabled by Mr. Eden⁵ is not entirely clear in that respect, I have no doubt that Mr. Eden would agree to whatever clarification is necessary so as to eliminate any last trace of doubt on that proposition.

It is basic in the thinking which the United States has—and I believe it is shared by France and the United Kingdom—that a united Germany should in fact have a free choice in this matter.

I suspect, however, that the problem which Mr. Molotov has posed here could not be really settled in the simple way I just described, simply by clarification of the text which we are considering. I am afraid that what is really giving Mr. Molotov concern is the fear that the choice which we would offer Germany would be exercised in a sense favorable to adhesion to the Community, which apparently the Soviet Foreign Minister fears, and it is that which is primarily causing him concern.

There has unfortunately developed among us a deep-rooted suspicion that any result which is sought by the Western Powers is automatically something which is undesirable or dangerous toward the Eastern Powers and vice versa. I hope that that suspicion can to some extent be dispelled and that it could be recognized here that the result which we are seeking is a result which, while it would be beneficial to the Western Powers, would equally be beneficial to the Soviet Union.

I have spent some time in my earlier presentations trying to present as persuasively as I could the reasons why I believe that the participation of Germany in a European defense community, which would mean no national army for Germany and no general staff for Germany, would produce most effectively the result which all four of us around this table want desperately to assure; that is, a Germany which for the future will be committed to ways of peace and that there would be no repetition of the disastrous past.

I hope that, as a result of our talks here, there will come to the Soviet Union a genuine realization that what we are seeking here is something which is in the common interest; that therefore they should not fear giving the Germans a really genuine opportunity to choose it, if that is their desire.

STATEMENT OF FEBRUARY 4

Press release 56 dated February 5

I have been told that the zigzag was an essential part of the Soviet practice. If so, I think that the discussions of the last few days form a classic example.

I have seldom been as confused in my life as I am at this moment. We have been debating for several days the plan which you tabled, Mr. Chairman, and we discussed a section to which Mr. Molotov devoted his attention. And after we finally had agreed, the three of us, to amend it to meet what we understood were Mr. Molotov's views, then he said he rejected the whole plan.

I wonder why we spent so long debating one paragraph of the plan if the whole plan was unacceptable.

Then, Mr. Molotov, as I understood, attacked our proposal on the ground that it did not give the Germans sufficient freedom of choice as to what they would do in relation to their future international relations. And when we had painstakingly explained that the plan did give them complete freedom of choice in that matter, then apparently the plan could not meet Mr. Molotov's approval because it gives the Germans too much freedom.

He explained at great length how the Germans could not be trusted with freedom; how they had abused freedom in the past; and from that it is to be inferred that they should not have the freedom that they had in the past. And there again I am completely confused and bewildered.

Then there was a question of the all-German elections. The plan which you tabled, Mr. Chairman, provided for the careful supervision of the elections, not only supervised by the four occupying powers, but also possibly by neutrals, to be sure there would be true freedom of elections.

But Mr. Molotov says that that proposal indi-

⁵ BULLETIN of Feb. 8, p. 186.

cates that we do not trust the Germans and the elections are not sufficiently free. And in the same breath he also says the elections must be so conducted that what he calls the "nondemocratic" elements in Germany are not going to be allowed to vote.

I am curious to know as to how that can be accomplished without a supervision of the elections.

I cannot but believe that what he really has in mind is that there must be conducted in all of Germany the type of elections which I described earlier, which had brought the "government" of East Germany into power, where everybody was compelled to put in a ballot to assure that there would be no possibility of any "undesirable" person being chosen.

We discussed at great length the Paris and Bonn treaties yesterday and again today and explained in simple words, words of one syllable, that the unified Germany would have the choice as to whether or not to adhere to those treaties. Nevertheless, the Soviet Foreign Minister continues to make the assertion that they still would be bound by these treaties and he insists upon his formula which would, as he interprets it, prohibit adopting such treaties.

The fact is that there is a compulsion on the part of the Germans to align themselves with the Western European community. It is not a compulsion of law or treaty. We have made that perfectly clear. It is a kind of compulsion which draws inevitably the East Germans toward the West. It is the same compulsion that has drawn 1 million East Germans to seek sanctuary in the West, and it is that compulsion Mr. Molotov would prohibit by legal and military action, because despite what he says about wanting the Germans to have freedom of choice, the fact is his formula would deny them that freedom which they seek by themselves—which are irresistible attractions unless held back by military power.

I speak only of the compulsion of the spirit, of the human aspirations which under the plan we have proposed would enable the Germans freely to seek their own future.

I, of course, will study carefully the proposal which has been submitted by the Soviet Foreign Minister.

But certainly on the basis of his own explanation of it, I am regretfully compelled to feel that it indicates that the conditions attached to German elections and the establishment of an all-German government are such that they are calculated to make them operative only if there is an extension of the system of the East German Republic to all of Germany.

If that is in fact the interpretation which his proposal seems to bear, that would indeed be a very tragic conclusion for this conference to have to end on, as far as Germany is concerned.

I felt, however, that after all the zigging and zagging perhaps the Soviet Foreign Minister's

last words about troop withdrawal from Germany indicated the objective to which all else had led up—namely, the ending of any defense of Western Germany; its complete exposure to the vast forces that lie to the East.

And we must also recognize that if all Western Germany is so exposed, that exposure also endangers all of Western Europe.

PROPOSAL BY MR. MOLOTOV

Draft resolution presented on February 4 by Soviet Foreign Minister

[Unofficial translation]

Recognizing the need to put an end to the division of Germany and in conformity with existing four-power agreements to implement the national reunification of Germany along democratic and peaceful lines, the Governments of the Soviet Union, France, the United Kingdom, and the United States of America have come to the following agreement:

1. The formation of a provisional all-German government by the Parliaments of the German Democratic Republic and the German Federal Republic with wide participation of democratic organizations shall be considered an urgent task.

The provisional all-German government can be set up in place of the existing governments of Eastern and Western Germany or, should this prove difficult at present, with these governments being maintained for a certain period of time.

2. The principal task of the provisional all-German government shall be the preparation for and the holding of all-German elections, i. e.:

(a) To prepare a draft all-German electoral law that would ensure a genuinely democratic character of the all-German elections, participation in the elections of all democratic organizations and the carrying-out of the elections under conditions of genuine freedom which would preclude pressure upon voters by big monopolies;

(b) To verify, should they consider this to be advisable, the existence throughout Germany of conditions necessary for holding democratic elections and to take measures to provide such conditions;

(c) To hold free all-German elections as a result of which the German people, without the interference of foreign powers, shall decide upon the social and state structure of a democratic Germany and on the basis of which an all-German government shall be formed.

3. The tasks of an all-German government shall also be the following:

(a) To represent Germany during the preparation of a peace treaty and in international organizations;

(b) To prevent the involving of Germany in coalitions or military alliances directed against any power which participated with its armed forces in the war against Hitler Germany;

(c) Matters pertaining to German citizenship;

(d) To insure the freedom of activity for democratic parties and organizations and to prevent the existence of Fascist, militaristic, and other organizations hostile to democracy and the cause of peace;

(e) To develop economic, trade, and cultural relations between Eastern and Western Germany; matters pertaining to transport, post and telegraph communications, freedom of movement of persons and goods throughout Germany and other matters affecting the interests of the German people as a whole.

4. In order to insure for the German people the right to manage their national affairs themselves, it shall be

recommended to the Government of the German Democratic Republic and the Government of the German Federal Republic to call promptly a meeting of plenipotentiary representatives of Eastern and Western Germany in order to agree upon the procedure to be followed in the formation of the provisional all-German government, its composition, functions, tasks, and powers.

5. The Governments of the Soviet Union, France, the United Kingdom, and the U. S. A., for their part, shall take measures to create conditions which will contribute to the successful fulfillment by the provisional all-German

government of its tasks and which will preclude any interference and pressure by foreign powers during the all-German elections. To this end the governments of the Four Powers have agreed to withdraw the occupation forces from the territory of both Eastern and Western Germany even prior to the elections with the exception of limited contingents left to perform protective functions arising out of tasks of control by the Four Powers: For the U.S.S.R. in regard to Eastern Germany and for the U.S.A., the United Kingdom and France in regard to Western Germany.

U.S. Policy Toward Japan

*by Walter S. Robertson
Assistant Secretary for Far Eastern Affairs¹*

One of the compensations for working in the State Department is that occasionally one is permitted to escape, to get out and exchange ideas with some of the elect of the country. Among these elect I include particularly those men and women who, with no hope or expectation of gain or recognition, give up their time and energy to thinking about and discussing the interests of our Nation in world affairs. Without the informed and disinterested scrutiny such persons bring to it, our foreign policy would be erratic and self-defeating, reflecting not the national interest but the shifting balance of power among various pressure groups and the idiosyncrasies of individual officials.

The Cleveland Council on World Affairs was founded in 1923. That was only 31 years ago. Yet in many ways it was another era. In 1923 we were preoccupied with our own affairs and dizzy with the new and exciting prospects opened up by our great industrial expansion and its accompanying prosperity. The jazz age, the motor age, the moving picture age, and the radio age were upon us. Prohibition and the ways of circumventing it were inexhaustible subjects of conversation. Every day, it seemed, the press reported that another mother of three had swum the English Channel. We had little attention to spare for what was taking place in two countries—each destined to exert tremendous influence on its own side of the world where democracy was fighting for its chance.

In Germany, the Weimar Republic was 4 years old. In Japan, the spirit of liberalism and internationalism was in the ascendant. The Crown

Prince, His Highness—now His Majesty—Hirohito had 2 years before broken all precedents and had set foot outside Japan. He had, in fact, toured Europe. Japan had a representative government. In March 1925 the vote was given to all Japanese males over the age of 25. Japan was an ally of the United States, Great Britain, and France in a four-power treaty.

After 1930, the forces of democracy were in retreat in Japan. That year brought the assassination of Premier Hamaguchi, who had accepted a less favorable ratio in warships for Japan at the London Naval Conference than was agreeable to Japanese nationalists. In that year also economic depression became serious for Japan. Agriculture was particularly hard hit and the result was a wave of what has been called radical nationalism, a phenomenon in Japan not entirely dissimilar to the wave of radical nationalism then gathering force in Germany under the swastika.

If this were the First Annual Institute of the Council of World Affairs of 1926 and if we knew what we know now, we should surely be stressing the importance of our doing all we could to bring about conditions favorable to the cause of representative government in Japan and Germany. What we could or should have done in 1926, I shall not try to say. My own feeling about the 20-year period between the two world wars is that too often when we should have been generous we were selfish and when we should have been strong we were weak, until finally we were able to stand firm only at the cost of general war.

I am by no means blaming us for all that grew out of the 1920's and 1930's. To what extent the issue was in our hands at any stage, I do not know. All we can know for sure is that those things which were done did not avert catastrophe.

¹ Address made before the Cleveland Council on World Affairs, Cleveland, Ohio, on Feb. 6 (press release 54 dated Feb. 5).

Another Chance for Freedom

But now, a generation later, freedom is having another chance in Japan and Germany. Once more in Japan—as in Germany—there is a representative government. There is a government composed of men with faith in democracy who are dedicated to the welfare of their people and to securing for their country a place of dignity and honor in the world and a voice in the common affairs of mankind commensurate with its national stature.

It is our policy toward Japan—as toward Germany—to help those men succeed.

As is generally the case when one has failed a test, the terms are, however, a little tougher the next time around. Germany today is truncated and has had far more damage to repair than after World War I. Japan, which was far more devastated by World War II than even by the appalling earthquake of 1923, has lost its overseas possessions and must now support a population three-fifths again as large as in 1918.

After World War I the Communists had their hands full maintaining rule over a prostrate Russia. Today, the Communist empire stretches from the Elbe and the Danube to the waters of Alaska and the South China Sea. This empire, which might appropriately be represented as a double-headed bird of prey, has fixed its appetites with particular hopefulness upon Japan and Germany.

If, however, our obstacles are greater, we have on our side this time much greater productive capacity and, I hope, more wisdom. We have, I believe, learned a good deal. And by *we* I mean the Japanese and the Germans as well as ourselves and our friends in Western Europe.

The United States had a chance during the Occupation of Japan to show what it had learned. We tried, if I may try to express it in one sentence, to give the individual Japanese—man and woman, farmer and industrial worker, artisan and professional man—as large a voice as possible and as large a stake as possible in a country as prosperous as possible. What we wanted for the Japanese was what we have always wanted for our own people.

We gave strong encouragement during the Occupation to Japan's recovery from the war, advancing about \$2 billion to that end. We moved to break up those overconcentrations, or monopolies, of power—economic, political, and military—that had deprived the Japanese people of their rights and opportunities in the years before the war and had led Japan to disaster. It is a conviction of the American people that a stable and progressive society is one in which economic and political power is widely dispersed. This is, of course, one of our outstanding points of difference with the Marxists, whose practice—whatever their theory—is to concentrate ever more power in ever

fewer hands for the benefit of an ever smaller number of people.

Need for a Strong Japan

If I may further condense the statement of our objective in the Occupation, I should say that it was to promote the creation of a strong Japan, in the true and best sense of the word. Unfortunately, a cardinal element of strength was left out of our concept. We and our allies, including those who had been occupied by the Japanese Army, did that which had come to be normal after total war: We totally disarmed the enemy. In addition, Japan with our encouragement renounced military forces in its Constitution. It was not that we wished to leave Japan helpless in the face of deadly danger. On the contrary. We failed to recognize that there was such a danger or to realize what kind of world we were living in and were to live in. We put our faith in the partnership of the United Nations, which had been forged in a war against aggression. We did not discriminate against Japanese safety; we impartially rushed to disarm ourselves as well.

The Japanese are now entirely in command of their country. Our relations with them are those of collaboration between friends and equals. The American troops in Japan are there for the same reason and on the same basis as those in Western Europe—in recognition that the problem of defense against aggression today transcends nationality and does not permit any of us the luxury of living unto himself. As far as we are concerned, nothing in our relations with Japan today reflects the relationship of winner or loser, occupier or occupied. I trust that the great majority of Japanese feel this statement is true.

Today, our hopes for Japan are the same as those of the Occupation. We should like to see a strong Japan, and a Japan whose strength includes adequate defense forces. This is, of course, our policy with respect to all free peoples. I think we have proved that we should like to see all the free peoples grow in strength. But our hopes for Japan have a special meaning and urgency. For in all the expanse of Asia, from the Urals and the Persian Gulf on the west to the Pacific on the east, Japan is alone in being an exporter of the industrial revolution, of its science, its technology, its skills, its machines, its manufactured goods. The other Asian countries are, without exception, net importers of those things.

Whenever we speak in this vein we can count on hearing the cry, "the United States wants to use Japan in its fight with the Communists." I think we should hit this facile slander on two sides. First, we should take every opportunity to make clear that the conflict with communism is not primarily an American affair. It is not, as the neutrals dearly love to picture it, a conflict between two giant powers. The Communist danger con-

cerns most immediately those countries on the borders of the Communist empire that are most exposed to its rapacity. The United States has drawn upon itself the ire of the Communists because those countries have looked to us to support them and have not looked in vain. While the Soviet Union has, of course, the power to attack the United States directly, it is where we have been assisting those directly threatened—Greece, Turkey, the countries of Western Europe, Berlin and the German Federal Republic, Southeast Asia and, of course, Korea above all—that we have come into conflict with the U.S.S.R. The Soviet Russians are quite aware of this, much as they would like to have the world believe that it is only capitalist America that stands in the way of universal peace and brotherhood. We could put an end overnight to the anti-American propaganda pouring out of Moscow and Peiping. We could present the world with a spectacle of the most fraternal association between Americans and Soviet Russians and Chinese Communists. We could eliminate with a single gesture all those bothersome tensions we hear so much about. All we should have to do is wash our hands of the countries on the borders of the Communist empire and leave them to the mercies of what Chou En-lai calls "The camp of peace and democracy headed by the Soviet Union." But that would be, of course, the last way in which to serve our own interests. It would lead to the progressive overpowering of the rest of the free world and ultimately to our own destruction.

The second point to be emphasized is that our reason for wishing to see the Japanese build adequate defense forces is emphatically *not* because we wish to see the Japanese fighting the Communists. The primary purpose of an army is not to fight. It is quite the opposite. The primary purpose of an army is to secure the national objectives without fighting. To the Soviet Union, the Red Army is primarily a weapon of intimidation to be used in causing other countries to cave in without the firing of a shot. To us in the free world, our own armed forces are the means of preventing that from happening and of maintaining our safety in peace. We know only too well that military establishments are expensive. We look forward to the day when the Soviet Union will agree to a fair system of disarmament. And we believe that the sooner all sectors of the free world are adequately strong, the sooner that day will come.

Opponents to Japanese Rearmament

Some Japanese, as well as some others in the Far East, are opposed to Japanese rearmament because they fear it would mean a recrudescence of the military caste in Japan. I believe they are too much influenced by the past. Just as we were thinking too much in terms of 1941 when we disarmed Japan, so those fearful of Japanese mili-

tarism today are, I believe, thinking in terms of May 1932 and February 1936, when vicious attacks were launched on the Japanese civil government by groups of army officers. It seems to us that the conditions of 1954 are distinctly different. The Japanese people are now possessed of the means required to prevent the accumulation of power in the hands of a military caste. They have free elections; they have a representative Diet; they have a free press; they have a Constitution in which human rights are firmly embedded; and above all, they have the experience of the past ever before them.

To assume that, because Japan embarked on imperialist adventures in the past, she is likely to do so again is to take a hopeless view of human affairs. However much we may lament it, the fact is that many of the most respected members of the family of nations have yielded to imperialist urges in the past. Militarism, expansionism, aggressiveness are—we must conclude—not endemic with certain nationalities but epidemic under certain economic, social, and political conditions. We should be watchful not of particular races but of particular circumstances that cause nations to act in certain ways.

Japan has, of course, made a beginning in the development of the means to protect herself. In the future increase in the size of the Japanese Defense Forces, which the Japanese Government has recognized is necessary, we have agreed to help by providing major items of land, sea, and air equipment. We may hope the time is not too remote when Japan—in the words of the Security Treaty of 1951—will be ready "to assume responsibility for its own defense" and we can bring our troops home.

I have talked as if our expectations of Japan lie altogether in the realm of resistance to Communist military aggression. That is not my meaning. The role that awaits Japan is in our view far broader than that. For I think we must recognize that Communist imperialism is only a current symptom, and only one symptom, of ancient and deep-seated evils. The real enemy is the condition that produces communism. The real problem is the problem of human desperation. It is a pitiable aspect of human beings that the more desperate and frightened they are, the readier they are to grasp at panaceas and promises of the millennium, the more susceptible they are to counsels of violence and extremism, the quicker they are to follow the fanatic. The world in our lifetime has presented vast opportunities for imposing upon the credulities of suffering, bewildered humanity. There has been the damage done to men's nerves by the ferocity of our wars, the devastation left by those wars, the upsetting impact of half-understood scientific discoveries upon religious faiths, the bewilderment and confusion of youths and intellectuals looking for something to believe, the frustrations of submerged national-

ities seeking a place in the sun, and the vast discontent of the millions who have learned that poverty and disease are no longer the inevitable lot of all but a small privileged class. There the fanatics have found their chance. Those who in a healthy society would be mere harmless cranks and misfits have been able to exploit the vast physical, spiritual, and intellectual unhappiness of our era to build brutal, terroristic totalitarianisms characteristically combining immense military forces and dreams of world domination with fantastic dogmas of self-justification.

It is in the disillusionment and despair of so many human beings that the fundamental danger lies, that the real challenge exists for those with the means of alleviating to some degree the conditions that make for such disillusionment and despair. It is in this endeavor we believe that Japan can in time find its most important mission. The Japanese, with their productive capacities and their technical and scientific skills, have the potential of contributing importantly, as we have tried to contribute, to relieving the largely voiceless despair of the hundreds of millions of Asia and of helping them to build a tolerable and rewarding future. To make headway in this task will strain the resources of the free peoples. Japanese resources of mind and skill cannot be dispensed with.

In speaking of Japan's role as a great industrial nation—or our role for that matter—I do not mean to suggest that for all ills there are materialistic solutions. What I do contend is that when we bring peace to those who have lived amid the terrors of war and riot, when we bring medicines to those who are sick and food to those who are hungry, there is never any question in our hearts that we are engaged in a great work with a meaning and consequences transcending the material.

Japan's Economic Situation

What Japan can contribute in the future must obviously depend on her state of health. The facts about Japan's economic situation stand out in bold relief and are doubtless already well known to you. The recovery of Japanese production has been one of the outstanding phenomena of the postwar years. It is now 50 percent more than it was in 1940. On the other hand, there is the alarming situation of Japanese trade. Japan must import 20 percent of its food. Last year there was a failure of the rice crop in Japan. Very little more rice was produced in 1953 than in 1934, when there was also a crop failure. But when in 1934 the population of Japan was 60 million; now it is 87 million. Last year the greater part of what Japan earned by selling her products abroad went to buy food from abroad. With the continuing increase in Japan's population, the abnormal conditions of 1953 may become normal.

It is, of course, not in food alone that Japan is unable to supply her own needs. Japan is lacking in most of the natural resources required by an industrial nation, particularly coal and iron. These must be also bought from abroad. Japan must sell abroad in increasing amounts, but Japan's exports have been shrinking. Last year Japan's exports and its earnings from its shipping amounted to about \$11½ billion while its imports stood at over \$21½ billion. Almost nine-tenths of the difference was made up by U.S. expenditures in Japan incident to the Korean war and the stationing of American troops in Japan. Such expenditures by the United States will not go on indefinitely, however. The plain fact is that Japan is living beyond her earnings from normal sources by about a billion dollars a year. Japan must sell much more abroad. If she is unable to do so we shall be back in 1930—with differences that are apparent to us all.

Trade with Communist China is not the answer. If all restrictions were removed, we believe such trade would only slightly affect Japan's commercial deficit; and to the extent that Japan supplied strategic goods to augment Communist China's war potential—which is what the Chinese Communists want—Japan would be sowing the whirlwind. For above anything else, the Chinese Communists would like to undermine or overpower Japan.

It is also not enough to say that Japan can find a natural trading partner in Southeast Asia. Certainly Southeast Asia needs Japanese manufactured goods. It is buying them at the rate of several hundred million dollars a year. This amount could, of course, be increased by devices to tie Southeast Asia's economy to Japan. But these are out of the question. Japan's products must compete for markets on their merits. And other countries—notably Great Britain, France, the Netherlands, and the United States—are also seeking to expand their trade with Southeast Asia.

What then is the answer? Here is what the Japanese tell us. After noting that there are difficult and stubborn internal problems they themselves must solve, they say "The Japanese nation . . . can exert very little control over the elements which are shackling her foreign trade. These problems—undeveloped or unavailable nearby supply sources, unstable export markets, inconvertibility of foreign currencies, tariff and export-import quota limitations—are primarily in the field of international relations and their solution is dependent upon the development of goodwill and cooperation between the sovereign nations of the free world . . . The United States is the greatest economic power in the world today. Actions taken by the U.S. Government, which appear to the average American situated in his powerful economy to be minor and unimportant, may have a tremendous effect upon the economies

of other, less stable countries. Therefore, the foreign economic policy of the United States is of worldwide significance."

Need for Increased Purchasing Power

I think we must admit the force of what the Japanese say. I might add one thing. I would say that what is most required, if the economies of Japan and other nations dependent on a large volume of foreign trade are to be viable, is a continuing rise in the purchasing power of the free world—and particularly, so far as Japan is concerned, in Southeast Asia. This can be accomplished by increasing capital investment and continued technological progress. Removing barriers to international trade will also in itself tend to increase the productivity and hence the purchasing power of the trading nations by encouraging each to produce those things which it can produce most efficiently. At the same time, this increased purchasing power will lead to further international trade.

The report of the Randall Commission on *United States Foreign Economic Policy* released last week makes important recommendations on the subjects we are discussing.² Among these are that our technical cooperation program be pressed forward vigorously, that our Government contribute all it can to the creation abroad of a climate conducive to private foreign investment, and that our Government extend loans to countries where substantial economic aid is necessary in our interests and cannot be provided by private or international sources. I might add that it is by applying such policies as these to Southeast Asia that we could do most to bring about an increasingly fruitful economic relationship between Southeast Asia and Japan. But the recommendations of the Randall Commission with the closest bearing on our policy toward Japan are that our customs procedures should be simplified and that the President should be authorized to reduce our tariffs by 5 percent per year for 3 years and to effect larger reductions in the case of goods on which the tariff is manifestly disproportionately high. We have lowered our tariffs but we must lower them further, not out of charity for foreign producers but in appreciation of our self-interest. The economic gains of trade between two countries

accrue to both. Every dollar Japan makes selling to us she will spend buying from us.

Moreover—and this might be even more significant—the enactment of trade agreement legislation enabling the United States to take the lead in reducing world trade barriers generally would be of tremendous assistance to Japan. The Japanese Government has taken the view that its accession to the General Agreement on Tariffs and Trade—inelegantly known as GATT—by which the participating nations guarantee one another most-favored-nation treatment, would be the most beneficial single step Japan could take toward obtaining guarantees of nondiscriminatory treatment for its exports. We agree. Also of great significance in Japan's foreign trade prospects would be the opportunity for Japan to enter into trade agreement negotiations with the individual contracting parties to GATT for the purpose of reducing tariffs on a reciprocal basis. It is essential that the United States continue to lead other countries in such multilateral efforts.

Quite apart, however, from the matter of profit in international trade, we must consider the paramount interest we have in the economic health of the free nations. The economic collapse of Japan, with all the consequences that must follow from it, could mean something like disaster for the free world. There is no excuse for us not to be perfectly clear upon this point. Perhaps no decision we make in 1954 will be more crucial than those we make with respect to our treatment of imports. The issue at stake is the same issue that was at stake on the battlefields of Korea: the defense and strengthening of the free world. We shall see it demonstrated whether it is easier in our society to send 30,000 of our youths to their death or to expose our domestic producers to an increased competition that all but a small minority could take in their stride and that the consuming public would benefit from. This is putting the question in harsh terms, but the realities we face are themselves of an unrelenting harshness.

I have set forth in general terms what our policy is toward Japan up to the present and I have suggested what many well-informed persons believe is required in the future. Both the Japanese and we in the United States are facing crucial decisions. What we must hope is that these decisions will be made in the two countries on the basis of the actual alternatives that offer and with full regard for the realities that mean so much to us both.

² For principal recommendations, see *BULLETIN* of Feb. 8, 1954, p. 187.

The Challenge for Private Enterprise in Latin America

by Robert F. Woodward

Deputy Assistant Secretary for Inter-American Affairs¹

Anyone who works on relations with Latin America is not likely to underestimate the power of a woman. In 1928 the women of the American Republics organized the Inter-American Commission of Women. The objectives of this Commission were not unlike those of your great League of Women Voters. In that year, 1928, not one of the Latin American countries yet gave the vote to women. Today, 14 of those countries have complete women's suffrage. In three other countries women can vote in municipal elections. And that leaves only three countries in which women do not yet vote at all.

Women, through the ages, have had the reputation of singular foresight, the ability to look into the future and seek a goal, an ideal, without being distracted by the problems and obstacles of today. As we talk about Latin America, I hope that your foresight will confirm my own conviction that we are on the threshold of a vastly expanding relationship with the countries of the Western Hemisphere—that we can look forward to a great new era of fruitful partnership.

The people of the 20 countries of Latin America number 160 million, about the same as our own country. But the population of Latin America has doubled in 40 years. And it is now expanding at a rate more rapid than any other part of the world. When our population in the United States reaches 200 million, which may be less than 25 years from now, the population of Latin America will already far outnumber our own. This great number of people—their economic health, their productivity, and their state of mind—are of momentous and ever-increasing significance to our security and well-being.

Fortunately, we already have unique and strong relations with Latin America. The Organization of American States and the Rio Treaty of Reciprocal Assistance come to mind immediately.

¹ Address made before the League of Women Voters of Massachusetts at Cambridge, Mass., on Jan. 27 (press release 35 dated Jan. 25).

But the fact I wish to emphasize is that private citizens carry on directly the great volume of United States relations with Latin America. These private relations are conducted on such a large scale and in such variety that the government servant must constantly strive to keep in perspective his own efforts to encourage, to conciliate, or coordinate. Once you are fully aware of the scope of private enterprise in our relations with the other countries of this hemisphere, I believe you will be impressed with the responsibility of the citizen—the challenge to the citizen—to represent the United States in his own conduct and character and to move ahead to further achievement.

Let us examine one striking example of these relations, the example of air travel. This has revolutionized personal relationships in this hemisphere. Today, 75 percent of all people traveling between the United States and Latin America travel by airplane—a much higher percentage than in any other comparable part of the world. Look at the short span of years in which this has come about. In 1919 the first commercial airline in the Western Hemisphere began to carry passengers—in Colombia—before passengers were carried in the United States. Today there are 50 airlines in Latin America alone, and last year their 700 airplanes traveled a distance more than 3,000 times around the world at the Equator. The 19 airlines traveling between Latin America and the United States carried over 700,000 passengers. Twenty-five years ago it took 18 days to travel from New York to Buenos Aires. Now, any day in the week, you can do this easily in 30 hours or less. While Government has given much assistance to the airlines, this progress would never have come about had it not been for the enterprise of a large number of private citizens in Latin America and the United States.

None of us wants to glorify speed for itself. But when people are brought 18 times closer together, at least in terms of travel time, this is bound to be important in all relationships. It

makes all forms of association and cooperation easier and more necessary.

Now let us look briefly at the relationships of trade and commerce. Again private enterprise is responsible, and no daily relationships with Latin America are more important. President Eisenhower has declared that "Our whole economy turns and depends upon the commerce of the world." Thousands of businessmen in Latin America and the United States engage in a trade which totaled over \$7 billion last year. Our imports alone, from Latin America, have increased six times in dollar value since 1939—and they are one-third of all United States imports. Imports from Europe have risen in value three times in the same period, but emergency economic aid was required to revive economic activity after the war.

I see no reason why our trade with Latin America should not expand until it matches our huge trade with Canada. On a per capita basis, that would bring our trade with Latin America to \$70 billion a year.

One relentless factor which will increase trade is our growing need for minerals and other raw materials. A recent commission of experts came up with the stern report that already we import 10 percent of all the minerals we consume. In 20 years they estimated the amount will be almost certainly 20 percent. During World War II, Latin America was already our most important foreign source of supply for 20 different strategic materials, including petroleum, copper, and lead. Think of the extent to which we would depend upon friendly collaboration with neighboring countries in the event of another catastrophe. And we must not forget that our wide export trade is dependent upon a stable market in our own country for foreign products. We must buy to be able to sell.

Private Investment

Perhaps the greatest challenge of all to private enterprise in Latin America today is in the field of private investment. Some of the Latin American countries are now aware that private investment has been the Aladdin's lamp which has magically raised living standards in the United States. They are discovering that this lamp need only be rubbed in the right way to create miracles for their own countries—toward fulfillment of their economic aspirations. Only a small amount of encouragement has resulted in the movement of over \$2 billion in new investment from the United States to Latin America since World War II. And American investors now have \$6 billion in Latin America, more than 30 percent of all United States private investment abroad. At the same time, 95 percent of all new investment in Latin America since the war has been of local capital.

When Dr. Milton Eisenhower, the President's

brother, reported on his recent mission to South America,² he expressed his view that private capital primarily must be depended on to develop the great economic potentials of the nations in Latin America. But, he said, "Here we met a great inconsistency: While some condemn foreign investment as an actual or potential evil and while some adopt practices and legislation that frighten or make almost impossible the entrance of foreign capital, all strongly insist that a greater volume of public and private capital from abroad is needed if they are to meet their just aspirations." Dr. Eisenhower summed up the situation by saying that "A genuine belief in the value to the community of private competitive enterprise and private profit is perhaps the most fundamental requirement" in Latin American economic development.

Here indeed is a challenge for us. How can we most effectively persuade Latin Americans that private capital has become the servant of the community in our country? How can we dissipate the idea of "Wall Street Imperialism" as pictured in Communist propaganda? The Communists are intensely active in propaganda to discourage investment and commerce. They fear economic improvement and rising living standards which would deflate their arguments. I believe the greatest Communist danger to Latin America so far is their success in delaying economic development.

We should be able to demonstrate that productivity in our own country has been largely due to private enterprise—and that this is therefore the great asset our country has to offer to other countries. And it is important that we do this because, in the long run, economic health and strength that come from productivity in friendly countries are vital to world peace.

To meet this challenge, perhaps we could make better use of the startling facts in recent reports on the United States economy. Last year, for example, our factories produced 500 million pairs of shoes, and our people spent \$230 billion in retail stores. Total personal income for all the people of the United States was \$285 billion. In contrast, however, dividends paid out by all corporations in the United States to all their owners in 1953 were less than \$10 billion. Foreigners who fear the supposed imperialistic monopolies—the corporations and banks—should be reassured to know that less than 4 percent of the national income went to the owners of these institutions. Those who think that the ownership of corporations is concentrated in the hands of a few people should likewise be reassured to know that one family in every ten in the United States owns some shares in corporations—5 million families out of the 50 million families in our country. Incidentally, half the individual shareholders are women. To show the even wider distribution of income among

² BULLETIN of Nov. 23, 1953, p. 695.

our people, despite the supposed concentration of wealth, 21 million families own U.S. Government bonds and 26 million have bank accounts.

Diffusion of Business Ownership

The democratic spirit of business in the United States is also revealed by the vast numbers of owners of the larger corporations. The American Telephone and Telegraph Company alone, a type of business usually operated by Government in other countries, is owned by well over a million shareholders—more than the population of Boston or Habana. A dozen of the larger corporations in the United States have over 100,000 shareholders each, and the numbers of owners have increased by more than 25 percent since 1940. These corporations might pay more dividends than they do, despite high wages and high taxes, if it were not for the huge amounts they are reinvesting in the development of our national economy—in new plants and equipment. Last year this reinvestment by United States corporations totaled \$28 billion—creating new jobs and more goods for consumption. This should give some inkling to our friends in other countries of the capital that might be available for development of countries that determine to attract substantial amounts of this capital.

One interesting distortion that I believe has grown in the minds of people in Latin America concerning our methods has been caused by enthusiasm for the Tennessee Valley development. This big regional project has encouraged the thought abroad that really big developments in the United States are carried out by Government. This is a big project, but put it in perspective by comparing the \$1 billion capital investment in TVA with some of the figures I have mentioned, such as the \$28 billion reinvested by corporations during 1953. There are some large public power projects in the United States, but 82 percent of the nation's electric energy is still being produced by over a quarter of a million privately owned electric plants.

Another reason that foreigners get the impression that a large part of our economy depends on Government is the size of defense production. They do not realize that the defense budget is only 11 percent of the total output of the Nation and that most of this money is spent for equipment produced by private enterprise.

How can we use this kind of information to change the misconceptions that exist abroad about our economy and about the American private enterprise system? We can try to see that clear information is widely distributed. The U.S. Information Agency attempts to do this, and that organization is doing excellent work with limited funds. But here again we are faced with the striking contrast between the volume of private and official channels of information. The U.S. Information Agency has 100 Americans working

in Latin America. But look at the contrast with activities of private American organizations: The American press services—United Press, Associated Press, and International News Service—have thousands of words appearing daily in Latin American newspapers totaling over 12 million copies. American motion pictures are seen in commercial theaters by over a million Latin Americans every day of the year. American magazines have huge circulations in Latin America: the *Readers Digest* about a million and a half copies a month; and *Life Magazine* over 250,000 copies.

Encouragement of Latin American Visitors

Many Latin Americans gain their own impressions of our economy while visiting the United States, and we should find ways to encourage more visitors. About 200,000 Latin American visitors came to the United States last year, in addition to people who live along the Mexican border. There are also at least 10,000 Latin American students in our colleges, universities, and high schools. And as an indication of further interest in information from our country, thousands of Latin Americans are studying English. Over 70,000 students attend American schools in Latin America, and over 50,000 study English in officially sponsored cultural centers. These are only a part of the total. Likewise, libraries operated by the official Information Agency had a total circulation of about a half million volumes.

Of course, American citizens, in their personal relationships abroad, can attempt to create a better understanding of our economic system—our way of life. The State Department has about 800 Americans in Latin America, and all other agencies of our Government have twice that number. It is, of course, one of their principal duties to promote understanding. But here again, in contrast, the relationships of private citizens are myriad. Over 80,000 United States citizens live in the 20 countries of Latin America. And to touch on a few other examples, there are over 900 Rotary Clubs in Latin America; over 600 Lions Clubs; the Inter-American Bar Associations include all the lawyers of the entire bar associations in 18 of the 20 countries; the Pan American Medical Association brings together hundreds of doctors every year; the Inter-American Press Association is a forum for representatives of the newspapers and radio stations; the General Federation of Women's Clubs has affiliated organizations in 10 Latin American countries; American Chambers of Commerce thrive in 8 of the countries; and Junior Chambers of Commerce in 6 countries. There are many other organizations, such as the YMCA and the YWCA, whose activities contribute to mutual understanding.

I should mention the exchange of information between labor organizations in Latin America and the United States. The American Federation of Labor, the CIO, and the United Mine Workers are

members of the Inter-American Regional Organization of Workers. This organization, known as ORIT, includes as members the anti-Communist labor confederations of 17 Latin American countries. The Communists are making great efforts to assume the leadership of Latin American labor. ORIT is doing its best to prevent this and to help democratic labor groups to develop.

Despite the value of all these personal relationships, all these channels of information, the most effective way to prove that private enterprise can produce results is to let it show what it can do—to see whether economic health comes when private enterprise is allowed to prosper. There are several countries in Latin America where this is happening, countries which have discovered that the best guaranty they can give to business is a solid record and reputation of fair treatment. And this presents United States and Latin American investors with the challenge to give overwhelming proof that there are mutual benefits—that there are benefits to the people and Government of the host country. When the people find that more goods and better services and higher wages are the result—when the nation finds that undeveloped assets are made to flower—then it does not seem like too much compensation to permit the investor to take a reasonable profit on his investment. Countries that succeed in avoiding drastic changes in laws and regulations, that avoid discrimination, gradually win the confidence of private enterprise. Whenever this happens, I am confident that modern business will respond with concrete examples of economic development that will capture the imagination of other countries. Here again, relations with Canada reveal the range of possibilities. If our investments were as great in Latin America as they are in Canada, on a per capita basis, they would be \$60 billion rather than \$6 billion.

Stimulation of Economic Development

Now, you may ask, what has Government been able to do to stimulate new economic developments? Government has provided very substantial loans and technical assistance. And just last week, the President's message to Congress concerning taxes included recommendations for tax incentives for investors. These included a recommendation that the tax on certain income from corporate investments abroad be reduced by 14 percentage points. This would greatly stimulate economic development.

The Export-Import Bank of our Government has specialized in loans for purchase of equipment such as highway machinery, electric generators, agricultural machinery, and mining machinery. This bank now has outstanding in Latin America about a billion dollars in loans. Its assistance has been invaluable in our economic relations with Latin America. Far from costing the United

States taxpayer anything, except the temporary use of his funds, the Export-Import Bank has made an overall profit of over \$400 million on its loans in all parts of the world during the past 20 years.

The International Bank for Reconstruction and Development, and the International Monetary Fund, affiliated with the United Nations, are very important elements in Latin American economic development. With the guarantee of its 55 member nations, the bank sells its own securities to the public. In turn, the bank loans to member governments for economic development. Nineteen Latin American countries are members, and so far the bank has loaned \$400 million to 10 of those countries. A large part of these loans have been for transportation equipment and electric-power development. Although both this bank and the Export-Import Bank have operated in fields where private banks were reluctant to enter, both banks have practically perfect records of repayment of loans.

Government has been able to stimulate widespread economic development through a wide variety of technical-assistance programs. The Foreign Operations Administration of our Government has 550 technical experts in 19 countries of Latin America in about 50 different missions—health, agricultural, educational, and other technical assistance. The health program in the Amazon Valley of Brazil gives a vivid example of results. The program began 12 years ago. In that time, life expectancy in the region has increased by 10 years on the average, and these 10 years are the most productive adult years. The programs have been so useful that they have been increased, but the expenses are shared with the Latin American Governments. They now pay about twice as much as we do, and in some places much more. In the Amazon Valley, the Brazilian Government pays 27 times as much as we do. While it was at first difficult to attract Brazilian personnel for this program, it is now staffed entirely by Brazilians. These programs also brought some 570 Latin Americans to the United States for technical training last year.

As in many other aspects of our foreign relations, we first learned the value of technical assistance in Latin America. It is of course difficult to trace cause and effect precisely, but technical assistance has certainly been an important factor in raising productivity, and it has great popular appeal. In the postwar period, productivity in Latin America has been increasing at the rate of 5 percent every year, insofar as national product can be measured, while population is increasing at the rate of 2.5 percent.

Our Government also contributes to the very active technical-assistance programs of the Organization of American States and the United Nations. We automatically think of these international organizations as agencies for security

and the pacific settlement of disputes. The regional organization, born 60 years ago, has become a strong and permanent institution. And we are keenly aware of the moral and political influence of Latin America in the United Nations, where 20 countries have one-third of the votes. But we do not hear so much of the widespread activities of these organizations in helping the member countries to develop and strengthen their economic and social life.

For example, the Organization of American States has at Bogotá a center for studying and training in housing development; in Caracas it is just opening a center for training normal-school teachers; and at Montevideo, it has a center for child-welfare studies and training. There are 13 special inter-American agencies now connected with the Organization of American States (and I might mention that a splendid example of economy and efficiency has been given by sifting this number out of 28 that existed a few years ago). In the realm of technical assistance, the Pan American Sanitary Organization is the most widely known for its many contributions to the health of the hemisphere. This agency, now affiliated with the World Health Organization, has likewise made tremendous strides in conquering the scourge of such diseases as malaria, yaws, and tuberculosis. In talking about technical assistance and health, I must likewise mention the great impulse given to health and sanitation in the American Republics by the privately endowed Rockefeller Foundation.

The United Nations has some 370 technical experts in 19 countries of Latin America, in almost every major field of economic activity—from geological surveys to fisheries development—from civil aviation to public finance. Also, under this program, 650 persons last year were given fellowships for technical training. One of the interesting features of United Nations technical assistance is the variety of nationality of the technical experts and the fact that 18 of the 19 Latin American countries that receive assistance also loan the services of experts to other countries. Each country has special industries in which its people excel. An expert from Haiti is, for example, teaching the Abyssinians how to package and merchandise coffee. This expert, incidentally, has found 12 new varieties of coffee to take back to Latin America.

Modest Cost of U. S. Measures

All of these measures of governmental assistance are helping to build economic and social health and to stimulate private enterprise. The cost to the United States taxpayer is modest. The annual expenditures of our Government in all forms of relations with Latin America are less than one-third of the amount of new investment in Latin America each year by our citizens. These

expenditures are about $\frac{1}{100}$ of the value of our trade with Latin America. They are about $\frac{1}{1000}$ of the Federal tax dollar. With this amount, Government is doing work that I believe is not only of great use but even indispensable. But the contrasts I have mentioned point up the extent to which we must depend upon what the private citizen is doing.

There are many important relations with Latin America that I have not even mentioned. I have not mentioned the deep spiritual bond of religion; nor the artistic and cultural exchange from which we have much to gain. I have only barely touched upon mutual concern about the insidious anti-religious efforts of communism. Nor have I discussed cooperation for military defense. But I hope I have succeeded in portraying something of the scope and growth in our relations with Latin America and something of the possibilities for the future.

The challenge and opportunity of progress are significant in themselves. But Secretary Dulles summed up the total objective very simply when he said, "Never in all our history was there a time when good friends and allies meant so much to us. There is need, as never before, of cooperation between free nations."

Use of Agricultural Surpluses in Overseas Programs

*Statement by Samuel C. Waugh
Assistant Secretary for Economic Affairs¹*

I want briefly to state the principles and objectives that should govern our efforts effectively to utilize agricultural surpluses in overseas programs.

Coordination: We are in complete agreement with Senator Case that for the most successful results the Government's activities in the disposal abroad of surplus agricultural commodities must be carried out on a coordinated basis. Uncoordinated and independent activities in this field can easily lead to confusion and inefficiencies. To the greatest extent feasible it would appear that the administration of disposal programs should be centralized. The various executive agencies are giving careful study to this problem in connection with the President's proposal—mentioned in the Budget Message²—to set aside and use \$1 billion worth of Commodity Credit Corporation stocks for disposal in friendly foreign countries during the next 3 years.

Objectives: The objectives of the proposed \$1 billion program are:

¹ Made before the Subcommittee on Real Estate and Military Construction of the Senate Armed Services Committee on Jan. 27 (press release 37).

² BULLETIN of Feb. 1, 1954, p. 147.

(1) to contribute to the reduction of Ccc surplus stocks which are becoming costly to hold and the existence of which exerts a depressing influence upon the market;

(2) to dispose of such stocks abroad in the most constructive manner in order to strengthen the economies of friendly foreign countries, to encourage an increase in consumption particularly where consumption standards are low, to encourage trade, to build up defenses, etc.; and

(3) to avoid substitution for or displacement of sales which would otherwise take place.

To the extent that the surplus commodities can be employed to defray expenditures abroad of the U.S. Government, without jeopardy to other objectives, every effort will be made to do so.

Agreements: It will be necessary as a general rule to negotiate with friendly foreign countries agreements concerning the kinds and amounts of commodities which they might undertake to absorb during the period of the program—without substitution for or displacement of sales which would take place in the normal course of trade—and the uses to which the local currency-sales proceeds would be put. The uses of such sales proceeds will no doubt vary from country to country. The proportions which can be used in payment for U.S. Government expenses will also vary depending upon our negotiating position and the balancing of all our objectives. A recipient country will usually be reluctant to accept, in effect, surplus agricultural commodities on any considerable scale in substitution for prospective dollar earnings. We have experienced this problem in connection with negotiations for accelerated use of local currency from surplus property credits.

Moreover, it is difficult to determine whether dollars spent by the U.S. Government in such cases would not in fact have been used subsequently to purchase similar commodities in the U.S. market. If so, the net result is no increase in the export of U.S. commodities.

Under the best of circumstances negotiations require time which will not necessarily coincide with the requirement for expenditures for a specific project or purpose. The Defense Department, for example, could not hold up a contract pending the conclusion of a broad agreement relating to the use of surplus commodities.

Purchases of Surplus Commodities Under Mutual Security Program: As you know, the foreign-aid programs have moved a considerable volume of U.S. agricultural commodities. Under section 550 of the Mutual Security Act¹ efforts are being undertaken to use surplus commodities specifically in military aid programs abroad, including off-shore procurement transactions.

Conclusion: With a disposal program of this magnitude it will be necessary to explore all possibilities for the use of surplus commodities without causing adverse effects upon our trade and trade of friendly countries, a principle which Congress stated in section 550 of the Mutual Security Act and which the President reiterated in his recent budget message. Consistent with overall objectives our negotiations will attempt to use to the optimum extent surplus commodities in place of dollar expenditures abroad by the U.S. Government.

¹For text of sec. 550, see BULLETIN of Nov. 9, 1953, p. 639.

The International Tin Agreement of 1953

by Clarence W. Nichols

The text of the International Tin Agreement of 1953 was established by the United Nations Conference on Tin. This agreement is now under review and subject to signature by 23 governments which were represented by delegates in the Second Session of the Conference.¹ Continuing the nego-

¹ Australia, Belgian Congo and Ruanda Urundi, Belgium, Bolivia, Brazil, British Colonial and Dependent Territories, Canada, Denmark, Ecuador, France, Federal Republic of Germany, India, Indonesia, Italy, Japan, Lebanon, Netherlands, Spain, Switzerland, Thailand, Turkey, United Kingdom, United States. The following governments were represented by observers: Hungary, Iran, Norway, Portugal, Sweden, Union of Soviet Socialist Republics, Yugoslavia.

tiations which had been undertaken in 1950, the Second Session was held at Geneva November 16-December 9, 1953. The purpose of the Conference was to discuss measures designed to meet the special difficulties which exist or are expected to arise concerning tin and to conclude an international commodity agreement, should such an agreement be considered desirable.

The proposals for stabilization which were submitted during the 1950 session differed so widely that the Conference concluded there was need for further and separate consideration by governments. The session of October-November 1950 therefore adjourned in Geneva subject to recon-

vening by the Chairman. The Chairman was instructed to take account of further discussions in the International Tin Study Group² and decide at a later date whether conditions existed for resumption of the Conference, following consultation with the governments which are members of its Steering Committee.

The Study Group met at London in March 1953. Member governments reviewed the position and prospects of the world tin situation and emphasized the continuing large excess of production over consumption. Strategic stockpiles were not expected to be able to absorb very much longer this excess supply, which is approximately 30 percent of consumption. The Chairman of the U.N. Conference requested advice regarding further negotiations toward an intergovernmental control arrangement. The Study Group believed additional preparatory work would be advisable and appointed a Working Party to consider proposals regarding international action and provide advice to the Chairman regarding a second session of the U.N. Conference.

The Working Party considered possible forms of an agreement which might be effective and acceptable. A subcommittee prepared a draft agreement to serve as a basis for discussion in a second session if the U.N. Conference should be reconvened. The Working Party requested member governments of the Study Group to consider the problems and the proposals. Each of these governments was asked to communicate directly to the Chairman its views regarding a reconvening of the U.N. Conference.

The views expressed by governments showed that another negotiation was desired by a number of countries and was not opposed by any government. The United States explained that it would attend if another session was desired by a sufficient number of governments to justify the reconvening of the Conference. However, the letter submitted by the United States noted that a negotiation in November 1953 would come at a time when this Government was making a basic review of its economic foreign policy. The United States would, therefore, not be in a position to commit itself to a specific course of action at that time. The other interested governments were placed on notice that the United States would regard a 1953 conference as useful for examining possible lines of action but would expect any suggested programs to be open for consideration over a period of time following the Conference.

On the basis of these expressions by the member governments of the International Tin Study Group and the Steering Committee of the Conference, the Chairman requested a Second Session and the Secretary-General of the United Nations made the necessary arrangements. Invitations

were extended to the governments of all countries which have a substantial interest in the production, consumption, or trade of tin.

The United States was represented in the Second Session by the following delegation:

Chairman

Dudley W. Figgis, President, Institute of Inter-American Affairs, Foreign Operations Administration.

Advisers

Rene Lutz, Deputy Director, International Resources Staff, Bureau of Foreign Commerce, Department of Commerce.

Charles W. Merrill, Assistant Chief, Minerals Division, Bureau of Mines, Department of the Interior.

Stanley D. Metzger, Assistant Legal Adviser for Economic Affairs, Department of State.

Clarence W. Nichols, Chief, Metals and Minerals Staff, Department of State.

Special Difficulties in Tin

Tin has many and varied uses which are important and even essential to the economy and security of industrialized countries. The volume of consumption is weaker, however, on a long-term basis than that of most raw materials because of the increase in conservational practices in the use of tin and a persistent trend toward displacement by the substitution of other materials.

Countries which consume tin are almost entirely dependent upon imports for adequate supplies. The areas in which tin is produced have not undergone extensive economic development or diversification. Practically all of their production of tin is exported, and earnings from these exports are very significant elements in their economies.

Tin mining is the principal source of employment, foreign exchange, and governmental revenues in Bolivia. Although Bolivia is more heavily dependent on this industry than are other producing countries, the production of tin also has considerable importance in Malaya, Indonesia, Belgian Congo, Thailand, and Nigeria. Those areas also have the problem of limited opportunities for a prompt reemployment of resources.

The demand for tin is not appreciably affected in the short run by the level of its price since the cost comprises such a small proportion of the value of finished products. Substantially increasing or decreasing the volume of tin production takes considerable time regardless of the immediate attractiveness or unattractiveness of market prices. These characteristics make for periodical surpluses and shortages and extreme peaks and troughs of prices. Importing and exporting countries have been adversely affected by the extreme fluctuations of price to which tin has been subject in the past. Several efforts were made on an international scale during the twenties and thirties to curb the violence of these price swings and achieve a greater degree of stability in the industry.

The interested governments have recognized for several years a possibility that the termination of

² For an article by Mr. Nichols on the Study Group, see *BULLETIN* of May 18, 1953, p. 724.

procurement for strategic stockpiles, especially the large-scale stockpiling by the United States, might precipitate a substantial readjustment of the tin situation with extended aftereffects. A period of burdensome stocks and low prices might develop while production was being adjusted downward. The absorption of such stocks into consumption would require a period in which production would be less than consumption. This could lead eventually to a renewal of shortage and high prices during the time required to expand capacity and output again.

Official announcements by the United States during 1952 and early 1953 indicated that its strategic stockpiling program was approaching completion. The United States further announced in November 1953 that the continued receipt of tin under outstanding contracts would lead to holdings by this Government approximately 40,000 tons in excess of stockpile requirements by March 1954. No decision has been made concerning the ultimate disposition of this surplus, but the question is under review in the hope of avoiding undue effects on normal markets.

The market price for tin was about 75 cents per pound before the invasion of South Korea in 1950. The price subsequently rose to \$2 per pound early in 1951; stabilized during 1952 at about the \$1.20 level specified in large purchase contracts which the U.S. Government made in the early part of that year; and declined during 1953 to levels around 80 cents per pound.

The International Agreement

The United Nations Conference on Tin tried to make the agreement conform fully with the resolutions of the U.N. Economic and Social Council recommending that chapter VI of the Habana Charter be taken as a general guide for appropriate international commodity arrangements.

The proposed agreement contemplates a cooperative effort by the governments of producing countries and consuming countries to achieve a greater degree of stability in the international tin situation. The stated objectives are to prevent or alleviate unemployment or other serious difficulties likely to result from maladjustments between supply and demand; to prevent excessive price fluctuations and achieve a reasonable degree of stability of price on a basis which will secure long-term equilibrium between supply and demand; to insure adequate supplies at reasonable prices at all times; and to provide a framework for the consideration and development of measures to promote the progressively more economic production of tin while protecting tin deposits from unnecessary waste or premature abandonment.

The Council

An International Tin Council, having its seat at London, would be established to administer the

provisions of the agreement. Each contracting government would be represented in the Council, participating either as a producing country or as a consuming country, according to the declaration made in its instrument of ratification, acceptance, or accession. The government of a consuming country which is responsible for the international relations of a dependent territory mainly interested in the production of tin could declare the separate participation of such territory on that basis. The provisions of the agreement would accordingly apply to that government separately in respect of its metropolitan territory and the dependent territory.

The Council would select an independent non-voting chairman who had not been actively engaged in the tin industry during the 10 years preceding his appointment. The agreement also provides for the appointment of a secretary, a manager of the buffer stock, and such additional staff as the Council considered necessary. All of these appointments would be subject to the condition that the individual employees should not hold—or should cease to hold—any financial interest in the tin industry or the tin trade. The agreement also provides that they should not seek or receive instructions regarding their functions from any person or authority except the Council or a person acting on its behalf in accordance with the terms of the agreement.

There would be 2,000 votes in the Council. Delegates of producing countries would hold 1,000 votes and delegates of consuming countries 1,000 votes. Each delegate would hold five initial votes and additional votes as provided in the agreement. The additional votes of producing countries would be distributed among them as nearly as possible in proportion to the percentages of their countries as listed in annex A to the agreement or as published from time to time in accordance with the provisions of the agreement. The additional votes of the consuming countries would be distributed among them as nearly as possible in proportion to the tonnages of their countries as listed in annex B to the agreement or as revised subsequently in accordance with the provisions of the agreement.

The agreement provides, however, that the initial votes of each consuming country shall be reduced equally if more than 30 consuming countries participate so that the total of initial votes for all consuming countries will not exceed 150. Provision is also made that the Council shall determine for any consuming country which later accedes to the agreement a tonnage which will take effect as if it were listed in annex B.

As soon as possible after April 1, 1955, and annually thereafter, the Council would review the figures of net imports and consumption of tin for each consuming country during the 3 preceding calendar years. Revised tonnages for each consuming country would be published on the basis

of the mean of such net imports and consumption with those tonnages then taking effect as if they were listed in annex B. No delegate could hold more than a total of 490 votes. There would be no fractional votes.

PRODUCING COUNTRIES' VOTES

(Annex A to Agreement)

	Percentage	Number of votes		
		Initial vote	Additional vote	Total
(1)	(2)	(3)	(4)	(5)
Belgian Congo and Ruanda Urundi	8.72	5	85	90
Bolivia	21.50	5	208	213
Malaya	36.61	5	355	360
Nigeria	5.38	5	53	58
Indonesia	21.50	5	208	213
Thailand	6.29	5	61	66
Total	100	30	970	1,000

CONSUMING COUNTRIES' VOTES

(Annex B to Agreement)

	Tons	Number of votes		
		Initial vote	Additional vote	Total (a)
(1)	(2)	(3)	(4)	(5)
Australia	1,580	5	11	16
Brazil	1,800	5	12	17
Belgium	1,260	5	8	14
Canada	4,720	5	32	37
Denmark	780	5	5	10
Ecuador	3	5	0	5
France	7,230	5	48	55
Federal Republic of Germany	7,280	5	49	55
India	3,430	5	23	29
Italy	3,380	5	23	28
Japan	3,050	5	20	26
Lebanon	50	5	0	5
Netherlands	4,570	5	31	36
Switzerland	870	5	6	11
Spain	680	5	4	10
Turkey	830	5	6	11
United Kingdom	20,360	5	136	145
United States of America	74,310	5	496	490
Total	136,183	90	910	1,000

(a) As adjusted by the application of the 490 maximum.

The agreement specifies that certain decisions of the Council concerning important matters which might involve a difference of interest between producing countries and consuming countries would require concurrent majorities of the producer votes and the consumer votes, counted separately.

Other decisions of the Council would be taken by a simple majority of votes cast.

The Council would meet at least four times a year. Meetings would be convened at the request of any delegate or in the discretion of the chairman, as well as in accordance with the requirements of the agreement. A statement showing the tonnage of tin held by the buffer stock at the end of each calendar quarter would be published by the Council not earlier than 3 months after the end of the quarter. The Council would also publish a report of its activities in each financial year not earlier than 3 months after the end of that year.

With the consent of the Council and upon conditions to be determined by it, any government could accede to the agreement after the first meeting of the Council whether or not that government was represented by a delegate at the 1953 session of the U. N. Conference. The agreement requires that the conditions laid down by the Council shall be equitable in respect of voting rights and financial obligations as between the countries seeking to accede and other countries already participating.

Price Limits for Stabilization

The stabilization operations of the International Tin Council would try to contain the fluctuations of market prices for tin within prescribed limits. As a basis for initial operations, the agreement provides a lower limit of £640 per long ton and an upper limit of £880. These prices are equivalent in U.S. currency to 80 cents and \$1.10 per pound of tin metal.

The agreement directs the Council to consider periodically whether these prices are appropriate for the attainment of the objectives, taking into account the current trends of production and consumption, the existing capacity for production, the adequacy of the current price to maintain sufficient future productive capacity, and any other relevant factors. The Council is authorized to revise either or both of the price limits provided such revision is supported by a majority of the votes cast by producing countries and a majority of the votes cast by consuming countries.

Establishment of the Buffer Stock

Under the proposed agreement, producing countries would be obligated to provide a buffer stock with capital equivalent in the aggregate to 25,000 long tons of tin metal. This capital would be placed at the disposal of the buffer stock manager in the form of tin metal, tin warrants, or cash. At least 25 percent of this mandatory contribution would be made in cash. This cash would be deemed equivalent to the quantity of metal which it would purchase at the current floor price.

The initial contributions by producing countries would be equivalent in the aggregate to 15,000

tons of metal and would be due on such date as the Council might decide. Producing countries would be liable for two subsequent contributions, each equivalent in the aggregate to 5,000 tons of metal. Unless the Council decided otherwise by concurrent majorities, counted separately, the first of these would be due as soon as the buffer stock held 10,000 tons of metal and the second as soon as the buffer stock held 15,000 tons. The contribution by each producing country would be proportional to its percentage as shown in annex A.

If any producing country failed to fulfill its obligation to provide capital to the buffer stock, the Council would be authorized to deprive that country of rights and privileges under the agreement and to require the other producing countries to make good the deficit. Upon remedy of such default, the Council could restore the rights and privileges and return the additional contributions made by other producing countries.

Any participating country would be entitled to make voluntary contributions of cash or tin metal to the buffer stock. The Council could reduce the obligatory contributions by amounts not exceeding the aggregate of any voluntary contributions provided this action was favored by concurrent majorities, counted separately; was desired by the producing country or countries whose obligatory contributions would be reduced; and would not involve the repayment of any contributions already made.

Operation of the Buffer Stock

If the price of cash tin on the London Metal Exchange becomes as high as the ceiling price, the agreement requires the manager of the buffer stock to offer all of the tin at his disposal for sale on the Exchange at that price. As long as the buffer stock has tin, the manager is also required in these circumstances to accept bids at the ceiling price, adjusted for location and such other factors as may be determined by the chairman, provided these bids are received from consumers in participating countries or agents acting directly on their behalf. The agreement further provides that the minimum tonnage of all such transactions shall be 5 tons; larger tonnages shall be in multiples of 5 tons, and the manager, in accepting such direct bids, shall have regard to the fair and equitable disposal of the tin in the buffer stock.

If the price of cash tin on the London Metal Exchange becomes as low as the floor price, the manager must offer to buy cash tin on the Exchange at that price if he has funds at his disposal.

In the upper third or lower third, respectively, of the stabilization range the manager would have discretion to offer tin or buy cash tin on the Exchange at the market price if he considered such operations necessary to prevent the market from rising or falling too steeply. The manager would not be allowed to buy or sell if the price of cash

tin on the Exchange were in the middle third of the stabilization range unless the Council decided otherwise by a majority of the producer votes and a majority of the consumer votes.

The agreement authorizes the manager, within the framework of the general instructions he may have received, to buy or sell 3 months' tin on the London Metal Exchange and to buy or sell, cash or forward, on any other established market for tin at any time when he may buy or sell cash tin on the London Metal Exchange.

If the funds at the disposal of the manager were inadequate to meet the expenses of his operations, the Council could authorize him to sell sufficient tin at the market price to meet his current operational expenditures, notwithstanding other provisions of the agreement.

Revaluation of Currencies

The agreement provides for the Council to meet immediately if a review of the price limits is made necessary by movements in the relative value of currencies. Pending such a meeting, the chairman would suspend provisionally the operations of the buffer stock if this was necessary to prevent buying or selling to an extent likely to prejudice the purposes of the agreement.

The Council is authorized to suspend, or confirm the suspension of, buffer stock operations if two-thirds of the votes cast by producing countries or two-thirds of the votes cast by consuming countries are in favor of such a course. Buffer stock operations, if provisionally suspended, would be resumed in the absence of such a majority. A suspension of buffer stock operations would not prevent the Council from continuing to exercise its authority for the control of exports as provided elsewhere in the agreement. Within 30 days after a decision to suspend, or confirm the suspension of, buffer stock operations, the Council would consider provisional floor and ceiling prices. The Council is authorized to determine provisional price limits by concurrent majorities of producer votes and consumer votes, counted separately.

Provisional prices would be reviewed within 90 days by the Council, which could determine new price limits by concurrent majorities, counted separately. If at one meeting the Council was unable to determine provisional floor and ceiling prices, it could nevertheless determine new price limits at any subsequent meeting, with the same majorities being required. Buffer stock operations, if suspended, would be resumed on the basis of floor and ceiling prices whenever these were determined by the Council, provisionally or otherwise.

Liquidation of the Buffer Stock

The Council is directed to pay due regard to the need for reducing the quantity of tin metal held in the buffer stock during the period of 2 years ending

with the date of termination of the agreement. If this consideration should lead the Council to set a figure for exports lower than that which would otherwise have been established, the manager of the buffer stock is authorized to sell at any price not less than the floor price the quantities of tin metal by which the Council has reduced the permissible rate of exports.

On the termination of the agreement, the manager would close the buffer stock account and make no further purchases of tin metal. The agreement specifies the steps by which the buffer stock would then be liquidated. However, the Council is authorized to substitute other arrangements if these are favored by a majority of the producer votes and a majority of the consumer votes.

The manager would first set aside a sum sufficient to meet the estimated expenses of liquidation or would sell a sufficient quantity of tin metal to provide the additional sum required if the balance remaining in the buffer stock account were inadequate to meet those estimated expenses. The manager would then divide the cash and tin metal at his disposal between contributing countries in proportion to the contributions they had made to the buffer stock. If any contributing countries had forfeited rights to participate in liquidation, these countries would be excluded from the division to that extent and the residue would be divided proportionately between the other contributing countries.

Thereafter the manager would repay to each contributing country the cash standing to its credit. He would transfer to each contributing country the tin metal standing to the credit of that country. These transfers of metal would be made in 12 monthly installments which would be as nearly equal as possible. Alternatively, at the option of any contributing country, the manager would sell any such installment and pay to the country the net proceeds of such sale. When the manager had disposed of all of the tin metal in this manner, he would distribute between the contributing countries any balance remaining of the sum which had been set aside to cover the estimated expenses of liquidation.

Finance

The expenses of delegations to the Council or its committees would be met by their respective governments. Two separate accounts would be kept of the contributions and expenses necessary for the administration and operation of the agreement. One of these, the administrative account, would bear the administrative and office expenses of the Council, including the remuneration of the chairman, secretary, manager, and subordinate staffs. The other, called the buffer stock account, would receive the buffer stock contributions from participating countries and would bear all expenditures incurred in the course of or attributable to

buffer stock transactions or operations, including all expenses of storage, commissions, insurance, and telephone and telegraph facilities.

The Council would estimate in each fiscal year the prospective requirements of the administrative account. Each participating government would be assessed in sterling for its portion of those expenses. Governments would be liable for the prompt payment of 1/2000th of the administrative budget in respect of each vote held in the Council on the day of the assessment. However, the agreement provides that no participating government shall contribute less than the equivalent of £100 annually.

Payments into the administrative account would be made in sterling from the type of sterling account appropriate to the particular country, but any country could choose to make its payment in U.S. dollars which the Council would convert into sterling on the official London Foreign Exchange market. If the Council subsequently became obligated to repay a participating government which had elected to make its contribution in U.S. dollars, that country could require the payment to be applied on its behalf in the purchase of U.S. dollars in the same proportion to the total disbursement that the sterling bought with U.S. dollars had borne to the total contribution previously made by the country. The agreement provides that the United Kingdom Government would permit payments on this basis to be converted as required.

The Council could deprive any country of its right to vote if the country failed to pay its contribution to the administrative account within 6 months after notice of assessment. If a country had not paid within 12 months after assessment, the Council could deprive it of any other rights under the agreement, including such proportion of rights to participate in the liquidation of the buffer stock as would be equivalent to the unpaid contribution toward administrative expenses. On payment of the outstanding contribution, the council would restore any rights of which a country had been deprived in this connection.

If it appeared at any time that a shortage of tin had developed or was expected, the Council could assemble authoritative estimates of supplies and requirements and take into account the probable increase or decrease in stocks of tin. The Council could consider the likelihood of a serious shortage and submit recommendations to the participating countries with a view to insuring the maximum development of production and the equitable distribution of available supplies of tin metal at a price which would not be higher than the ceiling price. It would be understood that the Council would have authority to revise this price by a majority of the votes cast by the producing countries and a majority of the votes cast by the consuming countries. For this purpose the Council is authorized to communicate to governments

the necessary data for the allocation of the quantities in question.

Export Control

The quantities of tin which might be exported from the producing countries would be determined by the Council from time to time. The Council would have the duty of adjusting supply to demand so as to maintain the price of tin metal within the stabilization range. It would try also to maintain tin and cash in the buffer stock adequate to rectify any discrepancies between supply and demand which might arise through unforeseen circumstances.

The Council would estimate, not less than once every 3 months, the probable demand for tin during a following period of 3 calendar months and the probable increase or decrease of commercial stocks during that period. In the light of these estimates, the quantity of tin in the buffer stock, the current price, and any other relevant factors, the Council would be authorized to fix a total permissible export amount for the control period of 3 calendar months, by a majority of the votes cast by consuming countries and a majority of the votes cast by producing countries. No such limitation of exports could become effective unless the buffer stock held at least 10,000 tons of tin metal or the Council found by concurrent majorities, counted separately, that 10,000 tons was likely to be held before the end of the control period.

A total permissible export amount for any control period would be divided among the producing countries in proportion to their percentages specified in annex A or the revisions of those percentages which might be made in accordance with the agreement. The Council would determine by concurrent majorities, counted separately, the percentage for any country which acceded to the agreement as a producing country.

The percentage of each producing country would be reduced by $\frac{1}{20}$ th at the end of each year. The agreement authorizes the Council to reallocate this proportion among the producing countries to afford increasing opportunities for satisfying national consumption and world market requirements in the most effective and economic manner. The Council would, of course, give due regard to the need for preventing serious economic and social dislocation and to the position of producing areas suffering from abnormal disabilities. If a reallocation failed to obtain the necessary majority of the votes cast by consuming countries and majority of the votes cast by producing countries, each producing country would have the same percentage as it had before the $\frac{1}{20}$ th reduction.

Each producing country would be obligated to take such measures as were necessary to make its exports correspond as closely as possible to its permissible export amount for any control period.

If the net exports of tin from a producing coun-

try were less than 95 percent of the aggregate of its permissible export amounts for four successive control periods in which permissible export amounts had been fixed, the Council would reduce the percentage of that country proportionately unless satisfied that the shortfall was due to factors beyond the control of the country and that such shortage was unlikely to recur.

If the net exports from any producing country exceeded its permissible amount by more than 5 percent in any control period, the Council might require the country to make an additional contribution to the buffer stock equivalent to the amount of the excess. The Council would decide whether the contribution should be made in tin metal or in cash, with cash being deemed equivalent to the quantity of metal it would purchase at the current floor price.

If the aggregate net exports from a producing country exceeded the aggregate of its permissible amounts in any four successive control periods in which permissible export amounts had been fixed, the percentage of the country would be reduced for 1 year by a fraction proportional to the excess or; if the Council so decided by concurrent majorities, counted separately, by any greater fraction not exceeding twice that of the excess. If the aggregate net exports from the country exceeded the aggregate of its permissible amounts in four further successive periods for which permissible export amounts had been fixed, the Council could also declare that the country should forfeit a portion of its rights to participate in the liquidation of the buffer stock. This forfeiture would not exceed one-half of such rights on the first occasion. The Council could at any time restore these rights to the country on terms and conditions as determined.

The agreement provides that stocks of tin within a producing country shall not, with some specified exceptions, exceed 25 percent of the net exports of the country during the 12 months preceding the date on which the control of exports comes into effect.

Amendments and Suspension

The article on amendments and suspension provides that amendments of the agreement could be recommended to contracting governments by the Council if supported by two-thirds of the producer votes and two-thirds of the consumer votes. The Council would fix the period of time within which each contracting government should give notice regarding its acceptance of an amendment. An amendment would take effect immediately if accepted by all participating countries within that time; if it was accepted by governments holding all of the producer votes and by those holding two-thirds of the consumer votes, it would become effective for those countries 3 months after notification

of the last of the acceptances required for effectiveness.

The Council would then determine whether the amendment was of such a nature that nonaccepting consuming countries should be suspended from the agreement when the amendment became effective. In the event of such a determination, a consuming country would automatically be suspended if it informed the Council that the amendment was still unacceptable. However, if the consuming country satisfied the Council that its acceptance could not be secured by the effective date of the amendment because of constitutional difficulties, the Council could postpone suspension until such difficulties were overcome and the country notified the Council of its decision. A country which had been suspended could be reinstated by the Council on equitable terms and conditions.

A consuming country which considered that its interests would be adversely affected by an amendment could withdraw from the agreement on the date the amendment took effect or suspension was determined.

The article on amendments and suspension could itself be amended, however, only if the amendment were accepted by or on behalf of all participating countries.

Any participating government could withdraw from the agreement provided at least 12 months' notice was given not earlier than 2 years after the agreement came into force. In the absence of such notice, or except in the particular circumstances for which special provisions are made in the articles concerning national security or amendments, a government which withdrew from the agreement during its currency would not be entitled to any share of the proceeds from liquidation of the buffer stock or any share of the other assets of the Council on the termination of the agreement. However, a consuming country which was suspended in connection with nonacceptance of an amendment would not lose any entitlement to share in the assets of the Council on the termination of the agreement.

Obligations of Participating Governments

Participating governments would obligate themselves to cooperate in promoting the attainment of the objectives of the agreement and, in particular, these governments:

(a) would not, so long as sufficient quantities of tin were available to meet their full requirements, prohibit or limit the use of tin for specified purposes except in circumstances in which such prohibition or limitation would be permitted by the General Agreement on Tariffs and Trade or by the articles of agreement of the International Monetary Fund;

(b) would create conditions promoting the transfer of tin production from less efficient to more efficient enterprises and would encourage

conservation of natural resources of tin by preventing the premature abandonment of deposits;

(c) would not dispose of noncommercial stocks of tin except upon 6 months' public notice, stating reasons for disposal, the quantity to be released, the plan of disposal, and the date of the availability of the tin. Such disposal should protect producers and consumers against avoidable disruption of their usual markets. A participating government wishing to dispose of such stocks would consult, at the request of the Council or of any other participating government, as to the best means of avoiding substantial injury to the economic interests of producing and consuming countries and would give due consideration to any recommendations of the Council;

(d) would seek to insure fair labor standards in the tin industry in order to avoid the depression of living standards and the introduction of unfair competitive conditions in world trade.

The agreement provides that nothing in it shall be construed to:

(a) require a government to furnish information the disclosure of which it might consider contrary to its essential security interests;

(b) prevent a government from taking any action it might consider necessary to protect its essential security interests where such action was taken in time of war or other emergency or related to traffic in implements of war or other traffic supplying a military establishment;

(c) interfere with any intergovernmental agreement made by or for a military establishment for the purpose of meeting essential requirements of national security, or other agreement on behalf of a government for this purpose; or

(d) prevent a government from taking any action in pursuance of its obligations under the Charter of the United Nations.

Complaints

Any participating country could complain to the Council if it considered its economic interests under the agreement seriously injured by the action of another participating government, unless such action were taken in time of war under the national-security exceptions just mentioned. The Council would review the facts and decide by concurrent majorities, counted separately, whether the complaint was justified. The complaining government could withdraw from the agreement if the Council found justification for the complaint.

Complaints that any participating country had committed a breach of the agreement could be referred to the Council for decision, as could disputes concerning the agreement. A majority of the participating countries, or countries holding not less than one-third of the votes, could require the Council, after full discussion, to seek the opin-

ion of an advisory panel on the issues in dispute before a decision. Unless the Council agreed otherwise by a unanimous decision of votes cast, the panel would consist of two persons nominated by the producing countries, one having wide experience in matters of the kind in dispute and the other having legal standing and experience; two such persons nominated by the consuming countries; and a chairman selected unanimously by those four persons or, if they failed to agree, by the chairman of the Council. The persons appointed to the panel could be nationals of participating countries, but they would act in personal capacities and without instructions from any government. The panel would submit its opinion and reasons to the Council. After considering all of the relevant information, the Council would decide the dispute.

No country could be found to have committed a breach of the agreement except by a majority of the producer votes and a majority of the consumer votes. In the event that a breach were found, the Council could, by the same requisite majority, deprive the country of its voting rights or any other rights specified in the agreement in relation to the subject matter of the dispute or complaint, until the country fulfilled its obligations.

The agreement will be open for signature at London from March 1, 1954, until June 30, 1954, by the governments which were represented by delegates at the 1953 session of the United Nations Tin Conference. Signatory governments may ratify or accept the agreement in accordance with their respective constitutional procedures. The Government of the United Kingdom will be the depository for instruments of ratification or acceptance.

The agreement is to enter into force for governments which shall then have ratified or accepted it on a date to be fixed by accepting governments, which must include at least nine consuming countries holding together at least 333 votes as set out in annex B and producing countries holding together at least 900 of the votes set out in annex A. After the date of entry into force as thereby determined, the agreement would enter into force for each additional signatory government on the date of the deposit by that government of its instrument of ratification or acceptance.

Unless terminated earlier by two-thirds of the producer votes and two-thirds of the consumer votes, the agreement would have a duration of 5 years. Not later than 4 years after the entry into force of the agreement, the Council would recommend to contracting governments whether the agreement should be renewed and if so in what form.

Resolutions of the Conference

The Conference adopted a resolution requesting the Government of the United Kingdom to

arrange for the agreement to be open for signature. Another resolution was adopted to facilitate the establishment of the proposed International Tin Council and contribute to its orderly work.

This second resolution established an Interim Committee composed of the members of the Steering Committee of the Conference³ and invited the United Kingdom Government, in consultation with the Secretary-General of the United Nations, to convene the first meeting of the Committee at London during the second quarter of 1954. The terms of reference of the Interim Committee are to consider and prepare provisional rules of procedure for the Council and consider any matter which the Committee believes may help the Council at its first session.

• *Mr. Nichols, author of the above article, is chief of the Metals and Minerals Staff in the Office of International Materials Policy. He is also the U.S. representative in the Management Committee of the International Tin Study Group and has been a member of the U.S. delegations to both sessions of the United Nations Conference on Tin.*

Turkey's Contributions to the Peace Front

ADDRESS BY CELAL BAYAR PRESIDENT OF TURKEY¹

I am highly honored to address the Congress of the United States while in your country as the guest of the great soldier and statesman, President Eisenhower. His sincere and untiring efforts are now dedicated to the preservation of world peace to the extent they were dedicated to the victory in World War II in days gone by.

The hospitality extended to me since my arrival in New York has impressed me profoundly.

In expressing the pleasure I feel from this manifestation of friendship, my first words as President of the Republic of Turkey are that the people of Turkey are filled with gratitude for the generosity shown us by your country. I assure you and the people of the United States that the memory of your noble deeds will live forever in the heart of every Turk. The extension of military and economic aid to the peace-loving coun-

¹ The presiding officer of the Steering Committee is the Chairman of the Conference, Georges P  ter of France. The members of the Committee are the governments of four major producing countries (Belgian Congo and Ruanda Urundi, Bolivia, British Colonial and Dependent Territories, and Indonesia) and four major consuming countries (Canada, India, United Kingdom, and United States).

² Delivered before a joint session of Congress on Jan. 29 (Cong. Rec., Jan. 29, p. 997).

tries of the world by the United States Government has no parallel in the history of the world, either in essence or in quantity. I am convinced the significance of your action will be recorded in history as the most important event of the post World War II period.

The benefits and the material importance of the program are many but I believe the most striking and admirable feature of it is the new world concept of international morality.

My country has utilized this assistance to the utmost by combining it with the means at its disposal. Your aid has been used entirely in the effort to resist the destructive forces which threaten our civilization. I can assert without equivocation that Turkey has been at least one of the recipients who put your aid to the best possible use.

In these days of turbulence and danger, Turkey occupies an extensive area on the ramparts of the peace front. From every point of view it presents a position of vital importance to our common cause.

The Republic of Turkey possesses all the requisites of a strong and stable structure from a political and social point of view. It has also achieved a record for speedy economic development.

We possess a military establishment whose importance cannot be denied. Our moral strength as a nation is inflexible.

With these attributes and qualifications, Turkey is developing day to day as an even more important military and economic force for our common peace front. It is our constant duty to increase our material and moral efforts to enable our military program to match our swift economic development.

American military aid has made it possible to equip our forces with modern weapons and to train the troops in their use. Your economic aid has constituted a valuable factor in supporting our efforts to strengthen our economic structure so that we may maintain a strong army.

The Need for Strength and Unity

The tremendous technical progress of this century has had the effect of shortening distances, which makes the world seem smaller. Today, distant and separate parts of the world have been brought together. The political concept of separation of continents has become obsolete. Accordingly, a danger which confronts one country, no matter where located, is a danger which confronts our whole world.

That being the case, the slightest hesitation to act or the slightest weakness of will power can bring catastrophe to the peace-loving community. For this reason, it is imperative that all nations dedicated to peace be morally and materially strong and united.

It is because my country, in whose behalf I have

the honor to speak here today, knows these facts very well that she is so fervently attached to the principle of collective security upon which the free world has so completely put its faith.

When an unjust aggression, kindled by the false belief that the United Nations would neither act nor intervene, occurred in Korea, Turkey did not hesitate for a single moment to join those countries which showed the fortitude to send their sons to faraway battlefields.

The devotion of my country to the ideals of mankind and to peace are not confined to the pursuit of a steadfast and resolute policy within the United Nations and the North Atlantic Treaty Organization, excellent as those bodies are as a means of maintaining peace.

It would be equally appropriate to stress in this connection that in accordance with principles set forth in the charter of the United Nations, Turkey has sought to fill in the gaps existing in the peace front. The Tripartite Balkan Pact which was signed last year between Greece, Turkey, and Yugoslavia is clear evidence of how strong barriers can be set up by realistic and resolute states united in a sincere desire for peace. This pact has simultaneously set a new and fine example in the application of the rights and principles of self-defense for the preservation of peace as recognized by the charter of the United Nations and contributed to its consolidation.

Relations With Greece and Yugoslavia

I would like in this connection to refer to Greek-Turkish relations. The friendship established between Greece and Turkey is the best example of how two countries who mistakenly mistrusted each other for centuries have agreed upon a close and loyal collaboration as a result of recognition of the realities of life.

My country is truly proud of its ties, within the framework of the Tripartite Balkan Pact, with Yugoslavia, who valiantly safeguarded her honor and independence after a bitter and dangerous ordeal, and with Greece with whom our friendly relations have become fraternal.

As you can see, Turkey is doing her utmost within the peace front to fulfill the duties incumbent upon her. The Turkish Nation, faced with a danger common to us all, remains upright, steadfastly holding to her material and moral forces at one of the most critical spots in the world.

I would like to express to you the hope that the sacrifices incurred for the sake of common ideals may be rewarded by the long-expected peace in the Far East. However, should peace be signed, the United Nations resolution about Korea should remain in full force. The security of the future depends on this fact. Korea is an example. This example may be repeated anywhere in the world. New fires may break out. The duty of the free and peace-loving nations is

to try untiringly and relentlessly to turn the period of relative peace in which we live today into a stable and real peace. The attainment of that aim calls for a great degree of patience as well as physical and moral strength.

In the face of all these dangers, I am convinced that the United Nations and the North Atlantic Treaty Organization are the strongest and most effective organizations possible to provide the free and independence-loving nations with the greatest opportunities for self-defense and the preservation of peace.

It is for this reason that Turkey is fighting to the best of her ability against the subversive efforts which try to paralyze the one and destroy the other of these two organizations. According to our way of thinking, unless the efforts we dedicate towards peace are sincerely reciprocated by deeds, our desire for peace will only be a mirage.

It is obvious that no one can doubt the good intentions of the community of free nations. However, should the policy followed be marked by uncertainty and indecision regardless of our good faith, then such a course would not only be fruitless but also dangerous.

I am aware that I am speaking before the representatives of a nation which has set an example to all by the course it has taken and which it will follow in the preservation of indivisible world peace in the face of aggressions against the independence of nations.

My purpose is merely to emphasize in your presence here that with a sincere belief in the righteousness of our common cause, Turkey thinks along exactly the same lines as do you.

TURKISH PRESIDENT AWARDED LEGION OF MERIT

Following are texts of statements made at the state dinner at the White House in honor of President and Madame Bayar on January 27:

Toast by President Eisenhower

YOUR EXCELLENCY, Madame BAYAR, DISTINGUISHED GUESTS OF TWO COUNTRIES: Tonight, this company—this Capital—this country—is honored by the presence at this board of the Head of the Turkish Republic. We gladly seize the opportunity afforded us by his presence, to salute a nation which is one of the most gallant and staunchest defenders of freedom in the modern world.

The evolution of Turkey, taking place within the span of a single generation, is one of the marvels of our time. Fifty years ago—and there are a number of us here who can remember that long—the events, the names, and the faces of Turkey were little-known to us. Our understanding of the country and its people was very meager indeed.

And then the change. Today we recognize it as a modern, progressive country, one that we are proud to call ally in the great problems that face the free world today. This great change was brought about by a dream of a group of men, a group of men headed by Mustafa Kemal Ataturk. He had a dream that with a band of devoted associates they translated into reality—by service, unselfish and dedicated service to their country. Forgetting themselves, they gave their lives and their talents to the nation to which they belonged.

And since 1923 we see the transformation that has taken place. Now the great Ataturk is dead, but his work lives on, and our guest of honor this evening is one of the original band that worked with him to bring about this great change, and to make Turkey the nation she is today: great, and growing greater every day.

Our guest of honor, since that day in 1923, has been almost continuously in the Assembly of his country. He has held almost every position in his government, including that of Prime Minister, and now is honored by holding the highest position in the land.

In a feeble effort to show some of the appreciation of this Government and its people, for Turkey as a nation and its people, our Government has awarded to our guest of honor the Legion of Merit in the grade of Chief Commander, the highest honor that this Government can give to anyone in time of peace not a citizen of this country. And with your permission, I shall read the Citation:

"The President of the United States of America, authorized by Act of Congress July 20, 1942, has awarded the Legion of Merit, Degree of Chief Commander, to Celal Bayar, President of the Turkish Republic, for exceptionally meritorious conduct in the performance of outstanding services:

"The Turkish people have shown their confidence in Celal Bayar by entrusting him with high offices throughout his long public career, but especially when he was honored by being placed in the highest and most responsible position in Turkish public life—that of the Presidency of the Republic. In this high office, he has contributed greatly to the enrichment of that goodwill which characterizes the relationship between Turkey and the United States. Under his firm leadership, Turkey has continued to actively support those ideals which are cherished by free peoples everywhere, thus contributing effectively to the hopes for freedom and peace throughout the world."

Now, my friends, as we lift our glasses to our guest of honor, let us remember that through him we do so, also, to the great nation of Turkey and its people—a people whose future we shall watch with interest, and wish for them everything that is good in a free world.

Ladies and gentlemen, President Bayar of Turkey.

Response by President Bayar

[Translation]

Mr. President, I am deeply moved by the warm reception and the manifestations of genuine friendship which I have experienced since I set foot on American soil.

I am particularly happy, as your guest this evening, to enjoy your solicitous hospitality in this legendary residence.

The emotion that I felt on listening to your kind words about my country was not only stirred by the sincere feelings which you so well expressed, but it was also due to the fact that I realized how well this country understood the revolution which has taken place in my country since the day that, under the leadership of one of her sons devoted to the cause of civilization and humanity, she changed her destiny until the day she won her place in the community of free countries and assumed her duties in the service of humanity.

There is no doubt that the words that you, a great general and outstanding statesman, have spoken as the highest authority of the great American nation, will be a source of endless joy to all my countrymen.

I also wish to thank you for your kind and gratifying words about myself. As you have said, I do in fact cherish the moral satisfaction of having worked together, from the first day to the last, with Kemal Ataturk, the savior of my country, the founder of modern Turkey, and the architect of the Turkish Revolution.

But the group who rallied under Ataturk and who were then called "the national force," are a symbol of the Turkish nation who pinned their destiny on him in the cause of a free and independent Turkish land, and for the ideal of a free and independent world according to the highest human concepts.

Today, these goals of the Turkish nation have been attained. Turkey shares the responsibility of a common fate with those nations of the free world who are making sacrifices for their liberty and independence. The happiest manifestation of that is in the firm ties which bind our two countries to each other.

I am very proud to hear that your Government has decided to confer upon me the Legion of Merit, which is the highest award given in time of peace to a foreign citizen, in recognition of his services.

I accept this great honor, fully conscious of its worth, as a valuable token of the friendship of the American people towards my nation, which at the moment I represent on friendly American soil.

Turkey considers it a human and national duty to cooperate with the peoples who are striving for the realization of the ideals of a free world and genuine peace. No matter how strenuous and dark may be the road that leads to that objective,

she is determined to walk hand in hand with her allies. For the Turkish nation, liberty is the mainstay of life. And I am convinced that the souls of the Turkish and American nations find communion on that motto above everything else.

When, therefore, our sons shake each other's hand on the road on which our countries are determined to walk arm in arm, they feel the mutual determination and confidence of two great spirits.

I raise my glass to your health, and to the health of Mrs. Eisenhower. I drink to the happiness and prosperity of our great ally, the United States.

Improvements in Austrian Economy

Austria's economic recovery since World War II has progressed so well, because of the effective combination of the productive energies of her own people and U.S. economic assistance, that no direct aid from the United States is required during the current fiscal year, the Foreign Operations Administration announced on January 4. This development is yet another indication of the growing economic strength in Western Europe.

The achievements of the Austrian Government, together with those of the other free nations of the world, made 1953 the best year economically since the end of World War II. As a result, there will be less need for U.S. economic aid in most Western European countries during the forthcoming year. This very satisfactory situation testifies dramatically to the achievements of free nations of the world working cooperatively to each other's mutual benefit.

The improvements in the Austrian economy are the best testimony to the success of the cooperative Austrian and U.S. programs for the recovery of that nation. For instance, Austrian gold and dollar reserves climbed from \$85 million in 1949 to more than \$200 million by October 1953. Exports increased from \$22 million in 1946 to \$387 million for the first 9 months of 1953. Industrial production, based on a 1948 index of 100, had climbed to an estimated 182 in 1953.

The Austrian Government in continuing programs to increase industrial and agricultural productivity will receive American technical assistance to support these programs.

Since the start of the Marshall plan in 1948, the Austrian Government has received a total of \$960 million, of which \$727 million was direct aid. Large-scale aid has been declining steadily, as Austria's own war-stricken economy recovered. For instance, in the first 15 months of the program, Austria received a total of \$342 million of which \$280 million was direct aid. In contrast, during the last fiscal year U.S. aid dropped to less than \$50 million.

Approximately \$18 million worth of commodities and equipment authorized out of last year's aid funds are in the pipeline and in the process of shipment to Austria.

Result of Investigation of Bribery Allegation

Press release 45 dated February 2

The Department of State has now completed an investigation of the allegation referred to the Department of State by the Senate Permanent Subcommittee on Investigation on July 10, 1953.

An evaluation of this investigation indicates that:

1. There is no information indicating that representatives of a friendly foreign power sought recognition by offering a bribe, or in any way conducted themselves in an unethical or illegal manner.

2. There is no information indicating that any employee of the State Department either accepted a bribe, or solicited a bribe, or was in any way engaged in wrongful, illegal, or unethical conduct in connection with this matter.

The Department's inquiry into the Senate Committee's report was confined to the issues of alleged misconduct on the part of a friendly foreign power, or on the part of employees of the Department. These issues are resolved by the above statements (1 and 2). The question of whether or not a bribe was solicited by other American citizens is beyond the investigative jurisdiction of the Department. Information with respect to the Department's investigation has been furnished the Committee. No further comment on this matter will be forthcoming from the Department.

John Hvasta Freed

Press release 52 dated February 4

John Hvasta, an American citizen who had been imprisoned in Czechoslovakia from October 16, 1948, until his escape from prison on January 2, 1952,¹ has now left Prague on his way to the United States.

It can now be disclosed that Hvasta appeared at the United States Embassy in Prague on October 2, 1953, after being in hiding since his escape from the Leopoldov prison almost 2 years before.

Immediately upon his arrival, Embassy officials

¹ For earlier statements regarding the escape of Mr. Hvasta, see BULLETIN of Aug. 18, 1952, p. 262, and Aug. 25, 1952, p. 285.

notified the Czechoslovak Government and started negotiations to enable him to leave Czechoslovakia.

U.S. Ambassador U. Alexis Johnson continued these negotiations from the moment he presented his credentials December 31, 1953. On February 3, 1954, he reached an agreement whereby Hvasta would be placed in the technical custody of the Czechoslovak authorities for one day or less with an Embassy officer present at all times, so that proceedings under Czechoslovak law for commuting the sentence could be completed. Accordingly, on February 4, 1954, First Secretary of Embassy John D. Iams accompanied Hvasta to the Ministry of Interior where the sentence was commuted to expulsion from Czechoslovakia. The same day Hvasta left Prague for Nuremberg accompanied by Counselor of Embassy Nat King and First Secretary Iams.

Hvasta had been sentenced to 3 years imprisonment by the State Court at Bratislava on June 1, 1949, on charges of espionage. On April 25, 1950, his case was reviewed by the Czechoslovak Supreme Court at Prague in a secret trial and his sentence was increased at that time to 10 years.

The Department is gratified that Mr. Hvasta is now able to be reunited with his parents and brother in the United States after this long and tragic separation. It is also pleased that the long and persistent efforts on the part of this Government to obtain freedom for Mr. Hvasta, whose imprisonment it has always considered unjustified, have now reached a successful conclusion.

Charges of Intervention in Guatemala Denied

Press release 42 dated January 30

The Department of State has today received a summary of the statement issued yesterday by the Presidential Information Office of Guatemala charging that the U.S. Government had acquiesced in a plot by other nations against Guatemala. The charge is ridiculous and untrue. It is the policy of the United States not to intervene in the internal affairs of other nations. That policy has repeatedly been reaffirmed under the present administration.

It is notable that the charge comes as the climax of an increasingly mendacious propaganda campaign and of attacks on freedom of expression and democratic labor organization in Guatemala. This is perhaps connected with the recent change in the Guatemalan Foreign Ministry and with the return from visits to the Soviet Union and Iron Curtain countries of Victor Manuel Gutierrez and Jose Manuel Fortuny, the former a notorious Communist and leader of the Communist-dominated labor confederation (Cergo), the latter

the head of the Guatemalan Communist Party, and both closely associated with the leading figures of the Guatemalan Government. The official Guatemalan press and radio offices, to which President Arbenz has appointed a group of dedicated propagandists of communism such as Raul Leiva, Carlos Alvarado Jerez, Otto Raul Gonzalez, and Medardo Mejia, have a long record of circulating false charges, typically Communist in their tech-

nique, against the United States, the United Nations, and particularly those countries which have been actively resisting Communist aggression.

The United States views the issuance of this false accusation immediately prior to the Tenth Inter-American Conference as a Communist effort to disrupt the work of this conference and the inter-American solidarity which is so vital to all the nations of the hemisphere.

What the United Nations Means to the United States

by Henry Cabot Lodge, Jr.

U.S. Representative to the United Nations¹

It is a great honor to be speaking in this historic place before this important audience. Here, in this old colonial capitol, are symbolized events which gave birth to this country—events which are still as fresh, as vivid, and as contagious as they were on the day that Patrick Henry, standing on this very place, spoke out fearlessly, eloquently, immortally against tyranny and the forces of tyranny. Every day that goes by sees brave men coming through the Iron Curtain at the risk of their lives in search of freedom because, like Patrick Henry, they prefer death to slavery.

Coming from Massachusetts, in whose State House also events took place which played a vital part in the forming of this country, and as one who has served in the Legislature of the Commonwealth of Massachusetts, I naturally have a deep appreciation of what it means to address the Legislature of Virginia. You are the authentic voice of the sovereign people, and anyone occupying the office which I now hold must count it a privilege to be able to report to you.

Today, I ask you to look at the United Nations, to scrutinize its purposes, its achievements, its shortcomings, its utility, and its future promise—all with the utmost frankness. The times are far too serious for self-delusion. We must see this thing as it is—we must coolly appraise its value. We must ask ourselves the great question which we always ask ourselves in our official capacity as legislators: Is it good for America?

In bluntest terms, the United Nations is an international device whose primary purpose is "to save succeeding generations from the scourge of war" by developing enough strength to deter aggression and, if in spite of the United Nations it should occur, to repel it.

It was created by a charter, which was ratified by the Senate by a vote of 89 to 2 in 1945 at the close of the bloodiest war in history. It was invited to establish itself in the United States by a unanimous vote of the United States Congress and has its headquarters in New York City.

To promote peace, the charter created a Security Council of 11 members which has the power, subject to the veto of any one of its 5 permanent members, in case of aggression to issue action orders which are legally binding on all United Nations members.

It also set up a General Assembly, which cannot issue orders but has power to debate and to recommend. In the General Assembly each of the 60 member nations has one vote, regardless of size.

When the United Nations was founded, it was assumed that the great allies of World War II would stay together to keep peace. But the Soviet Union became hostile to the free world and, by its abuse of the veto, caused the Security Council to become less and less active, with the result that the General Assembly has become the busy place. (A veto-proof method has at last been evolved for bringing a collective defense program into being by recommendations passed by a two-thirds vote of the General Assembly. When, as, and if aggression occurs in the future, we will no

¹Address delivered before the Virginia House of Burgesses at Williamsburg, Va., on Jan. 30 (press release 41 dated Jan. 29).

longer be paralyzed by the Communist abuse of the veto.)

This growth of the General Assembly is in many ways a sound development because a solid foundation for peace actually depends on two things: (1) the existence of common practical interests; and (2) the existence of a common sense of justice, which means a common sense of right and wrong and a common view of the relation of the individual to his government.

Until both of these things exist, those who insist on schemes for world union or world government do more harm than good because, like someone feeding fried potatoes to a newborn baby, they are trying to ram something down the throat of the world which it cannot digest. If any one of the 13 colonies, at the time of the American Revolution, had had a view of life as different from the rest of the world as the view of the Soviet Union is different from the free world today, there would have been no United States. The American revolutionists, unlike the people of the world today, all had the same general thoughts about the nature of man.

In the modern world there is already a growing knowledge that countries have many common practical interests. But the growth of a common sense of justice seems to come more slowly—and, as any effective scheme for world order depends on such a sense of justice, the essential first step is a world forum where issues can be debated and put to a vote and where world public opinion can develop. The General Assembly is thus a place where they "talk and vote"—just as they do in any democratic assemblage—because it is by talking and voting that you sometimes avert war, and it is by talking and voting that you build a world sense of right and wrong.

The 60 member nations of the United Nations are a sizeable majority of the world's nations and of the world's population. The General Assembly is, therefore, the indispensable first step—the necessary foundation for any future world order which mankind may wish to build. It is as far as we can go now. But we should go this far.

Accomplishments of the United Nations

The United Nations is a place where:

... public opinion is developed—and public opinion makes things happen in spite of iron curtains.

... we can see what the Communists are doing in the war of ideas—and sometimes in other ways. Without it we could not see nearly as much.

... you can get authoritative reactions quickly on the state of opinion in almost any part of the world, which it would take days, if not weeks, to get otherwise.

... Americans can see how their American pub-

lic servants are conducting the American side of the cold war. It therefore enables us to correct our mistakes more quickly and with greater sureness than we could do otherwise.

... the free world gets consolidated. Being free, the non-Communist nations naturally tend to go their own way and to drift apart. But sooner or later some Communist spokesman will make some statement that is so monstrous that you can almost see the free nations getting together before your very eyes. This more than counterbalances whatever advantages the Communists may get out of their propaganda.

... we have developed valuable allies—certainly not as many as we should have liked. But, equally certain, whatever allies we have are welcome and are that much clear gain.

... six of the member nations are peoples who were under alien control when the charter was signed. Of the 800 million people in the free world who were dependent 10 years ago, some 600 million—or three-fourths—have won full independence since 1945. The newly independent countries which belong to the United Nations include India, Pakistan, Burma, the Philippines, Indonesia, and Israel.

... representatives of nations can meet without formality to settle disputes. Those who want to divide and rule are impeded, for this is a hard game to play when the entire free world is looking on.

... the threat of war in Iran in 1946, due to pressure of Russian troops, was moderated and gradually extinguished.

... the initiative was taken, with substantial American backing, to prevent Communist encroachment on Greece in 1947.

... open warfare over Kashmir between India and Pakistan was stopped.

... the advent of Israel into the family of nations was determined and an end put to a bloody war in the Holy Land, although the situation is still dangerous.

... working with the Netherlands and the Indonesians, full independence was given to the 76 million people inhabiting Indonesia.

... part of the free world was organized to repel the bloody aggression in Korea, which threatened the whole free world—and not only in Asia.

... the Kremlin has a real headache in the United Nations. They cannot control the United Nations; they cannot break it up; they dare not leave it.

What United Nations Is Not

The United Nations is not a world government. It cannot impose a tax of any kind. It cannot draft a single soldier—from any country for service in Korea or elsewhere. Its charter specifically

prohibits its intervention in domestic matters (article 2, paragraph 7). Your representative at the United Nations is called Ambassador by act of Congress, for the simple reason that he represents a sovereign state and not a political subdivision. It would, of course, be a manifest absurdity to give the large and small states each one vote in a body which had the powers of a government.

It is not a heavy burden on the United States taxpayer—16 cents per citizen in Year 11 of the Atomic Age. This is less than half of what is spent for the sanitation of the city of New York, or one-fourteenth of what is spent for cigarettes. The amount spent, according to the New York *Times* figures, by the United Nations, foreign delegations, and secretariat members living in New York far exceeds our annual contribution to the United Nations and the specialized agencies—and the American contribution was reduced both in percentage and in actual dollars at the last session of the General Assembly.

It does not threaten the destruction of our Constitution because, as the Supreme Court has said, "the treaty making power does not extend as far as to authorize what the Constitution forbids." There is only one organ of the United Nations which can take action which is legally binding. That is the Security Council and there the United States is completely protected by the veto. None of the other things the United Nations can do are anything but recommendatory.

It is not a nest of Communist spies, because there is nothing to spy on in the United Nations—which is why the Soviets haven't even filled their quota of employees. No United States citizen employed by the United Nations has ever been prosecuted for espionage. Every United States citizen employed there will within a few months have been screened in accordance with a Civil Service Commission-FBI plan. With so many good Americans to choose from there is no justification whatever for employing a single American in the United Nations who is a Communist.

It is not a snare which dragged the United States into the Korean war. The United States took the initiative in getting the United Nations to take action against the Communist aggressor in Korea.

It is certainly not a device which has had an unbroken record of successes. Far from it. It did not prevent the Communist victory in China. Neither did the United States. Communist successes in other parts of the world have taken place in spite of the United Nations. Yet it not only survives but actually functions helpfully, though imperfectly, in spite of the fact that the Communist bloc is in a cold war with the rest of the world.

Its Future

The need for the United Nations is sure to grow as rapidly as science progresses. Today,

none of the 60 nations comprising the United Nations is able to maintain itself alone—except for the Soviet Union, which does it by harsh slave labor. The United States cannot exist without supplies far in excess of what we produce here. If we were denied as few as 20 essential materials we would be completely crippled economically. The whole of North America, with guided missiles and atomic weapons, can be crippled militarily. Maybe it was possible to get along without a place like the United Nations in the days when the 4½-day boat to Europe was the quickest way to travel across the seas, although even in those days we got into two world wars. But a place like the United Nations is as necessary now in international politics as an airport in international travel.

It is perhaps because of this need that the United Nations, with all its faults, has been able, more than any other body in modern history, to organize peace and security—in spite of the great threats to peace and security at large in the world.

This is, undoubtedly, why war would be inevitable if the United Nations disappeared.

If war came in spite of the United Nations, it would then be the indispensable instrument for repelling the aggression—which is probably one reason why the Communists don't leave it.

This explains why men of good will throughout the world would be straining every nerve to create even the imperfect device which we have now if the United Nations did not exist.

Therefore there is a need for the United Nations, a need as real as the yearning of mankind no longer to send its sons off to slaughter.

Three questions have been raised in the United States with regard to the United Nations, and satisfactory answers to these questions must be given.

One concerns the loyalty of United States personnel on the payroll, and, as I have said, within a few months every American employed there will have been screened in accordance with the Civil Service Commission-FBI plan.

The second is that the Soviets used the United Nations to fight their cold war battles whereas the United States did not. This situation does not exist in the United Nations today. We follow the policy of actively using the United Nations as the one great world forum for international presentation and rebuttal. At the last session of the General Assembly we used it as a place in which the big truth could be used to demolish the big lie.

To give a few examples, Dr. Charles Mayo of the Mayo Clinic, who was an American delegate, made a smashing demonstration of the diabolical falsity of the Communist charge that the United States has been using germ warfare in Korea. Other delegates focused the spotlight of world attention on forced labor behind the Iron Curtain and on treatment of World War II prisoners of

war. I presented the dreadful story of Communist atrocities in Korea which so moved the General Assembly that it adopted a condemnatory resolution. In addition to these specific topics, we have adopted the practice of always answering a Communist speaker immediately so that no news story goes out of the United Nations to the world public consisting only of the Communist side. In that news story there is always something from the side of the free world.

In November the President came to the conclusion that, if the legislature of Puerto Rico adopted a resolution asking for complete independence, he would be glad to do all in his power to see that Puerto Rico got it. The President chose the United Nations as the place at which that announcement should be made. When it was made, it created great good will for the United States among Latin American countries and also in countries in Asia and Africa where the colonial question is a matter of active interest.

The third question asks whether it is true that the United States has given an undue proportion of manpower to the Korean war and that the other members of the United Nations have put in too little.

There is no doubt that the contribution of the United States to the war in Korea was of overriding importance and was in fact utterly indispensable. In combat manpower alone the contribution of the United States was far larger than that of any one country except the Republic of Korea—and it is the United States which trained and equipped the Republic of Korea army.

It is also true that the other United Nations members put up the equivalent of two divisions. The United States divisions at World War II figures cost \$600 million a year. The cost today is probably greater, but is a secret. If, therefore, the United States had had to furnish these two divisions, the added dollar cost would have been at least \$600 million. When you compare that with our annual contribution of \$25 million, you can see that on a financial basis alone the United Nations is not a bad deal.

Carrying the fiscal argument still further, remember that the most expert studies indicate that after every last bill has been paid, World War II will have cost us \$1 trillion, 300 billion—which again makes our \$25 million contribution to the United Nations seem smaller.

Of course, money is not the only, and not even the most important, consideration. If the United States had had to supply two more divisions there would have been that many more American casualties, that many more tragedies in American homes, which were instead suffered in homes of other countries whose brave men answered the call.

Many persons had the idea at the end of World War II that the United Nations would be an automatic peace producer—that a few gifted lawyers

scattered around the world would draft a charter; that this charter would be ratified by the nations; that a handsome building would be erected; and that then the world would have an automatic device for peace.

No Automatic Device for Peace

The truth is that there is no automatic device for peace. If the United Nations is as automatic as a burglar alarm, it is doing well. But what happens after the bell rings is up to the members, and you will get results solely in proportion as you contribute. In the grim struggle for peace, the payments which must be made are not merely in money; they are chiefly in the service of men. In the face of something as critical as an impending war nothing less than human muscle, human hearts, and human service will do the job.

Rather than draft a charter and then look for troops it might have been more logical at the time for the nations to have earmarked the troops and then drafted the charter. But history is not always logical and we do progress.

In the struggle for peace, as in every other human endeavor, the success of the struggle depends directly on how hard you work, how deeply you sacrifice, how sincerely you care, how much in the service of your sons you are willing to put in. No amount of diplomatic nicety and verbal courtesy can alter this fact, and the future of the United Nations is bound up in it.

The United Nations is a place where the nations of the world may take whatever collective action they are at any given moment capable of taking. Such a place is a vital necessity.

While the need for the United Nations is as strong and as steady as the human yearning for peace, its future success depends entirely on the extent to which its members support it. It is up to them. They can drop it impatiently and destroy it because it had not brought the millennium, or they can kill it by failure to support it. Or, like the Wright Brothers with their first airplane in 1903, they can perfect it and transform it into something which will make future generations forever grateful that we in the 1950's had the patience and the foresight to make this beginning.

For Americans the United Nations is not only a place to promote peace, it is the greatest single place in which to develop partners who, valuing their own freedom, will fight to defend it whenever it is attacked and thus, on a basis of mutual respect, help us in our struggle to survive. For a nation like the United States, which has most of the world's wealth and only 6 percent of the world's population, the conclusion must be obvious that we cannot have too many partners to help us carry the load of combat.

The United Nations is primitive; it is evolution-

ary; it has not brought, and will not bring, the millennium. But it is useful; its cost is small; it is an intelligent first step; it stands between us and international anarchy. It thus stands between us and World War III or the extinction of human freedom—or both. Finally, it represents another important step in man's long march toward freedom—a march with so many impressive associations with this historic city and this historic House of Burgesses.

Question of Reconvening Eighth General Assembly

Following are texts of a communication from Ambassador James J. Wadsworth to Dag Hammarskjöld, U.N. Secretary-General, together with a note from the Secretary-General to Ambassador Wadsworth transmitting a communication from Mme. Vijaya Lakshmi Pandit:

Ambassador Wadsworth to the Secretary-General, January 15

U.S./U.N. press release dated January 18

The acting representative of the United States of America to the United Nations presents his compliments to the Secretary-General of the United Nations and has the honor to refer to the Secretary-General's note SG 25/01 (8th), dated January 11, 1954, with which he transmitted the text of a communication dated January 10, 1954, from the President of the General Assembly with regard to reconvening the Eighth Session of the General Assembly on February 9, 1954.

The acting representative of the United States has the honor to request that the Secretary-General transmit by cable to the President of the General Assembly the following reply to her communication of January 10:

"I have the honor to refer to your communication, dated January 10, 1954, in which you inform United Nations Member Governments of the request of the Government of India that the Eighth Regular Session of the General Assembly be reconvened. In view of the current situation my Government will not be able by January 22 to determine whether the general interest would be served by a reconvening of the General Assembly. Consequently the United States is unable to concur in the proposal in your letter of January 10. It will, however, keep your proposal under review.

"With regard to the final sentence of Paragraph 5 of your communication, the United States considers that, in view of the terms and history of the General Assembly's resolution of December

8, 1953,¹ and uniform United Nations practice, the express concurrence of a majority of Members of the United Nations is required in order to reconvene the Eighth Session."

The Secretary-General to Ambassador Wadsworth, January 11

SG 25/01 (8th)

The Secretary-General of the United Nations presents his compliments to the Permanent Representative of the United States of America to the United Nations and has the honour, following upon a request by the President of the General Assembly, to transmit the text of a communication dated 10 January 1954 from the President with regard to reconvening the eighth session of the General Assembly on 9 February.

In accordance with paragraph 5 of the communication, the Secretary-General would appreciate receiving the reply of your Government as early as possible, and in any event, prior to 22 January 1954.²

[Enclosure]

COMMUNICATION DATED 10 JANUARY 1954 FROM THE PRESIDENT OF THE GENERAL ASSEMBLY TO ALL MEMBER STATES

1. I have the honour to refer to A/RESOLUTION/173 passed by the General Assembly on 8 December 1953.

2. The Government of India have availed themselves of the provisions in sub-paragraph (b) of paragraph 2 of the said resolution and requested me to reconvene the eighth session of the General Assembly "in reasonable time prior to the date of the dissolution of the Neutral Nations Repatriation Commission" which, they inform me, should take place before 23 February.

3. The request made by the Government of India is, in my considered judgment, warranted by the "developments in respect of the Korean question" as contemplated by the General Assembly's resolution.

4. The Government of India have made no specific suggestion as to the date of reconvening the eighth session. An appropriate date, in my judgment, would be 9 February, which falls midway between the two relevant dates of 23 January and 23 February and is also on a Tuesday which, as you know, is the day of the week on which the General Assembly has usually been convened.

5. In pursuance of the request made to me by the General Assembly, I request your concurrence to the initiative I am taking in reconvening the eighth session of the General Assembly at New York on Tuesday, 9 February 1954, at 15:00 hours. In view of the limited time available, I shall be grateful if you will communicate your reply to

¹ A/Resolution/173, which requested the President of the General Assembly "to reconvene the eighth session, with the concurrence of the majority of Member States, if (a) in her opinion developments in respect of the Korean question warrant such reconvening, or, (b) one or more Member States make a request to the President for such reconvening by reason of developments in respect of the Korean question."

² The Secretary-General later extended this deadline to Jan. 29. By that date, 22 countries had expressed concurrence, 28 had disapproved the proposal, and 10 had not replied. On Jan. 30 he informed U.N. members that the requisite majority required by A/RESOLUTION/173 had not been obtained.

the Secretary-General by telegram, as early as possible and, in any event, prior to 22 January. If, for any reason, your reply is not received by that date, I shall venture to presume your concurrence with the initiative I have taken in this matter.

6. I feel sure that Member States, having regard to the grave responsibilities resting on the Commission and particularly on its Chairman, and on the Custodial Force of India, as well as the importance of the unresolved aspects of the Korean question and the continuing deadlock, will readily concur in the initiative that I have taken in pursuance of the General Assembly's resolution.

VIJAYA LAKSHMI PANDIT

Increase in Coffee Prices

Following are the texts of a letter from Mrs. John B. Sullivan, Member of Congress from Missouri, and a letter in reply from Thruston B. Morton, Assistant Secretary for Congressional Relations, regarding the recent increase in the retail price of coffee:

LETTER FROM MRS. SULLIVAN

JANUARY 18, 1954

HONORABLE JOHN FOSTER DULLES
Secretary of State
Washington 25, D. C.

DEAR MR. SECRETARY: The spiralling cost of green coffee on arrival in the United States has led to a tremendous spurt in the price of coffee at retail—so much so that restaurants are now being forced to charge as much as 15 cents a cup and the housewife is paying from \$1.06 to \$1.10 or more a pound by the tin. The worst aspect of this unhappy situation is that the trade flatly predicts further, and perhaps even more substantial, increases in coming days.

While it may be true that much of the increase can be attributed to the frosts in Brazil last July which reduced the 1953-54 harvest by perhaps 7 percent, I also understand from trade reports that speculation and hoarding in the supplier countries, and probably in the United States too, are also big factors in the great surge of coffee prices.

Since we are completely dependent upon imports for our supply of coffee, and since we are dealing with countries with whom we have enjoyed excellent relations and close ties of friendship and commerce, is there not some way the influence of the Government of the United States, through your Department, can be brought to bear in this situation to assure a better break for the housewife and the consumer of this essential product?

Has your Department made any effort to reach agreement with the coffee-supplying nations to assure an adequate supply of the reduced production for our needs? Have you initiated any conversations toward assuring this supply at fair prices?

In other words, Mr. Secretary, what is our Government doing—and, also, what *can* it do under present authority—to arrange with the coffee-producing nations for fairer marketing of coffee in the United States? I know every American housewife would be interested in your answers to both of those questions. I am certainly one housewife who would be.

As I told the House of Representatives today in announcing that I was writing to you on this subject, I know this would not be the weightiest matter on your mind at this moment. Nevertheless, I do believe that if you want us as a people to concern ourselves actively with the monumental issues which confront you in representing us among the nations of the world, please—please—make sure we can all get a decent cup of breakfast coffee.

Without that solace, how can we possibly face up to the problems you want us to concern ourselves with?

Sincerely yours,

LEONOR SULLIVAN
Mrs. John B. Sullivan, M. C.
3d District, Missouri

LETTER FROM MR. MORTON

Press release 39 dated January 27

JANUARY 26, 1954

DEAR MRS. SULLIVAN: The receipt is acknowledged of your letter of January 18, 1954 regarding the recent increase in the retail price of coffee. The latest information received from the United States Embassy in Rio de Janeiro corroborates your information that a major factor in the price rise is the limited supply of coffee which will be available from Brazil as a result of a short crop last year and frost damage to this year's crop. The Embassy has reduced its estimate of the supply available for export from the 1953 crop from 15.6 to 14.1 million bags, a reduction of almost 10 percent. This estimate applies to the crop produced in Brazil prior to the frost damage which occurred last July and August. The crop now on the trees cannot be estimated with any accuracy until later in the season, but the Embassy anticipates a smaller output than last year, even with favorable growing conditions.

The reduction in the Brazilian crop estimate has had an unusually pronounced effect upon prices because it comes on top of an already tight supply position. The world has been consuming more coffee than it has produced for a number of years. The excess of demand has been met by drawing on reserve stocks, which are now very low. World consumption of coffee is estimated to have exceeded 33 million bags last year. Supplies available for export during the current crop year, which began

July 1, 1953, are now estimated at less than 31 million bags, or about two million bags below the anticipated requirements. If exports from Brazil should be maintained at last season's levels the United States Embassy in Rio de Janeiro foresees a reduction in the Brazilian carry-over from 3.2 million bags, at the end of the last season, to 2.3 million bags this year, a record low figure.

Adjustment of supply to demand is very slow in the case of coffee because the tree does not bear until the fifth to seventh year after planting. Low coffee prices during the 1930's and early 1940's made it unprofitable to plant new trees, and it is estimated that Brazil suffered a net loss of some 390 million trees during the decade 1940-50. Planting has been increasing rapidly during the post-war period, but only about one-half of the new trees have yet come into bearing. Much of Brazil's new planting was concentrated in the state of Parana, and this was, unfortunately, the area most affected by the recent frost. The Brazilian Government has allocated funds to assist coffee producers to replant, but it will be several years before these trees can contribute to the supply. New plantings have been increasing in other countries as well as in Brazil, however, and the long run supply picture is better than it has been for some years.

The Department has learned of no speculation or hoarding, either in the United States or in the producing countries. A December 16 report, the latest from the United States Embassy in Rio de Janeiro on this subject, states that exports from Brazil during the first five months of the current season (July-November 1953) amounted to 7.4 million bags compared with 6.9 million bags during the same period last year, which would indicate that coffee was moving normally and not being withheld from market, at least during that period.

You ask whether the Department of State has made any effort to reach agreement with the coffee producing nations to assure that adequate supplies of coffee will be made available at reasonable prices to meet the requirements of consumers in the United States. The Department of State takes a great interest in keeping coffee prices within reach of the American consumer, since coffee is one of the principal items of trade between the United States and Latin America, and an expanding trade is in the interest of both. It is my understanding that coffee prices have receded somewhat from the recent peak, and it is my belief that the governments of the producing countries will make every effort to bring prices back to normal. I am informed that exports from Colombia are moving at record levels and that prospects for the 1954 Colombian crop are very good. This will offset, to some extent, the anticipated short crop in Brazil.

As to steps which might be taken to relieve the situation immediately, there does not appear to be any practicable basis upon which the Govern-

ment of the United States might approach the governments of producing countries with a request that they allocate supplies or impose ceiling prices. Coffee, like most agricultural crops grown in the United States, is produced by thousands of small farmers who customarily sell through private trade channels. The large surplus stocks once held by the Brazilian Government were liquidated several years ago. The United States Government did impose ceiling prices on coffee during the second World War and during the emergency following the outbreak of hostilities in Korea. Coffee was one of the last items to be decontrolled, and there was some criticism from the coffee-producing countries because controls were being relaxed on prices of manufactured goods which they customarily buy here while controls were retained on the price of coffee, one of their principal exports. One of the first acts of this Administration was to eliminate price controls, in the belief that the free play of market forces, operating through private initiative, would result in the long run in the most satisfactory allocation of the nation's resources and the best protection of the consumer's interest. The authority for imposing price controls no longer exists in the United States, and this Government would be reluctant to request action by other governments which it is not in a position to reciprocate.

If the United States Government were to undertake to negotiate an agreement with the coffee-producing countries which would obligate them to supply a specified quantity of coffee at a specified price it would, necessarily, assume an obligation to purchase the coffee at that price. No agency of the United States Government has authority to assume such an obligation.

The United States Government, through the Department of State, has been represented over a number of years on the Sub-Committee on Coffee of the Inter-American Economic and Social Council of the Organization of American States. This Committee, on which most producing countries of the western hemisphere are represented, considers coffee problems of mutual interest, and the United States representative has repeatedly urged that better statistical information be collected in the producing countries, especially with respect to new plantings of coffee trees, so that an accurate determination could be made of the prospective supply over a period of years, and crises either of shortage or surplus avoided. This Committee is purely an advisory body, but it has developed an awareness on the part of the member governments of the need for expanding production, and plantings of coffee trees have increased. The Department will continue to urge producing countries to expand production until consumers' requirements can be met at a price which they can afford to pay.

Sincerely,

THRUSTON B. MORTON

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†Held for a later issue of the BULLETIN.

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